# Interview with William W. Lehfeldt



The Association for Diplomatic Studies and Training Foreign Affairs Oral History Project

WILLIAM W. LEHFELDT

Interviewed by: William Burr

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*Q: The following interview with William Lehfeldt, by William Burr, took place in Washington, D.C. on April 29, 1987. The interview is part of a joint project by the Columbia University Oral History Office and the Foundation for Iranian Studies.*

I have some questions about your background, first. Where were you born and raised?

LEHFELDT: I was born in Livingston, California, raised there, went through high school there.

*Q: Where did you receive further education?*

LEHFELDT: Well first I went into the U.S. Army for three years during the war. That's where I received a lot of education. Then after I got out I went to Georgetown University School of Foreign Service for the purpose of getting into the diplomatic service, which I did. I started in 1950 as a diplomatic courier, then went to United Nations Affairs and then finally passed the Foreign Service exam in 1952.

*Q: So you were at Georgetown in the late 1940s?*

LEHFELDT: Yes. 1947 through 1950.

*Q: Back to the War. Where were you stationed during the War?*

LEHFELDT: I was in the infantry in Europe.

*Q: What were some of your diplomatic assignments during the 1950s?*

LEHFELDT: I started out on loan to the AID program in Afghanistan, primarily, well I was the only administrative support for the mission director, and at times I even acted as mission director.

*Q: Was that the International Cooperation Administration, the ICA?*

LEHFELDT: Point IV.

*Q: So that was the Technical Cooperation [Administration].*

LEHFELDT: Technical Cooperation—TCA.

*Q: And after Afghanistan?*

LEHFELDT: After Afghanistan I moved on to Bilbao, Spain as Vice Consul and then Consul. Then went to Harvard for graduate economic studies at the Littauer Center, (the glove manufacturers), which is now the JFK School of Public Administration. After that I came to Washington to the Office of South Asian Affairs where I was first on the India-Ceylon-Nepan desk, and later on the Afghanistan-Pakistan desk.

*Q: What kind of work did you do—just general political and economic, military?*

LEHFELDT: Well, I'm the last of the old time generalists, I'm afraid. In South Asian affairs I was the political desk officer for Ceylon and Nepal and an assistant for India. Later I was the economic desk officer for Afghanistan and Pakistan, although there was very little difference at that time. From there I went to Argentina, to Buenos Aires, as petroleum officer, where I stayed for about a year and then moved up country, to a city called Cordoba, where the revolutions begin (one almost started recently), to open a consulate.

*Q: This in the early 1960s?*

LEHFELDT: Early sixties, mid sixties. I left there in 1964 and came back to Washington as chief of Latin American personnel. Which I did for a couple of years, and then moved on to Naples, Italy as deputy principal officer. What do you think that prepared me for? Five years as economic counselor in Tehran! [laughs]

*Q: Actually, you had to be a generalist?*

LEHFELDT: Yes.

*Q: So what circumstances led to the assignment in Tehran? Was it your choice?*

LEHFELDT: No. It was the farthest thing from my mind, but Nick Thacher, who was the DCM [Deputy Chief of Mission], and Armin Meyer, who was ambassador, both knew me and I should say since I guess they had a hard time finding anybody any better, they took me.

*Q: What time of the year was this?*

LEHFELDT: This was in the summer of 1969.

*Q: Meyer was leaving, actually.*

LEHFELDT: Yes. Meyer departed by the time I got there. But Nick was there, and then Doug MacArthur came.

*Q: What were your general duties as economic commercial counselor?*

LEHFELDT: Well, we still had the residuals of the aid program to work with and try to clean up. My then financial officer, the late Ed Prince, and I along with Ambassador MacArthur and the then head of the Plan Organization, Mehdi Samil—who is in London now—did the last review of the Iranian economy that was called for by our US-Iran agreements, aid agreements. It was rather perfunctory by that time. It was embarrassing to both of us. We had no aid program, we had no reason to meddle in their economy by then.

*Q: What was the name of the Plan Organization official?*

LEHFELDT: Mehdi Samil. S-A-M-I-L.

Other duties were reporting generally on the developments in the Iranian economy. I had a petroleum officer, civil aviation officer, financial officer, a whole raft of commercial officers, including a commercial attach#. We tried to cover the waterfront.

*Q: Did your duties change over time?*

LEHFELDT: Well, to the degree that we had no aid responsibilities yes, they did change. To the degree that the commercial responsibilities were accented more, and we added a trade center in Tehran, yes they changed. But not markedly.

*Q: Did you do any work on arms sales issues, for example economic aspects of arms sales, or...*

LEHFELDT: To some degree. We did a good deal of analysis on debt service ratios because in the early 1970s, that was the hallmark of how much the nation could stand. We had sort of a rule of thumb that if they used over twenty percent of their foreign exchange

earnings to service their debt then they were at the limit, outside limit. Those parameters have changed these days.

*Q: These arms sales were planned in to the Ex-Im bank {Export-Import Bank} credits?*

LEHFELDT: Ex-Im bank credits in those days, yes.

*Q: Who were some of the people who worked in your office? Who worked on petroleum issues, for example?*

LEHFELDT: First, there was Bob Dowell. He was succeeded by John Washburn, who in turn was succeeded by David Paterson. David was still there when I left the embassy in 1974.

*Q: Who was the finance officer?*

LEHFELDT: Finance officer first was Ed Prince. Then Alex Rattray, who's now Consul General in Frankfurt. He was succeeded by Walter Lundy, who is in African Affairs now. Walter was the man that when I left he in turn was succeeded by the fellow who's presently ambassador in Paraguay—I can't remember his name. [Clyde Taylor}

*Q: Did you have any Iranian nationals that worked for you?*

LEHFELDT: Yes we had primarily, well, we had two in the economic section. Gutshab Bakhtian and, oh what was the name of the other one? I guess the rest of them worked in the commercial section. Bakhtian was the only one who really worked for the economic section. In the commercial section we had Ishmail Ghobadi, Ike Pirnazar, David Kashani, Mrs. Melikian—I'm sorry. That's not quite right, but it's Arpik and—oh my word. Why is it their last names don't come to me? But they won't right now.

*Q: You had a number of nationals?*

LEHFELDT: Yes we did.

*Q: They did research jobs?*

LEHFELDT: Research jobs and on the commercial side they did an active job in preparing WTDRs—World Trade Directory Reports—distributors lists, contact lists. They would often times go out with American businessmen, just accompanying them on calls and serve as translators, although that was above and beyond the call of duty.

*Q: Besides the ambassador, leaving the ambassador aside for now, who were some of the influentials at the embassy outside the economic section.*

LEHFELDT: Well always, of course, the political counselor and the DCM, who in my first days there was Nick Thacher and the political counselor was Jack Armitage. They were in turn succeeded by Jack Miklos as DCM and Don Toussaint as political counselor, and later Andy Kilgore as political counselor.

*Q: Did you ever know the chief of Armish-MAAG around that time?*

LEHFELDT: Yes. Major General Hamilton Twitchell.

*Q: Twitchell—he was still there?*

LEHFELDT: He was there. He was succeeded by Williamson, Butch Williamson, who in turn was succeeded by, Rock Brett? Brett, no. No, Brett wasn't—Brett was air force. There was a bad patch in there when there were funny changes. I can't remember the name right now.

*Q: I guess MacArthur was the person actually who you worked for.*

LEHFELDT: Yes.

*Q: What was he like to work for?*

LEHFELDT: Unvarnished?

*Q: Yes, as much as you...*

LEHFELDT: I got along with him very well. A lot of other people did not. Partly because his competence in things economic was not well developed, let's say. He relied on me both for information gathering and for interpretation for his purposes. He developed, it seemed to me, a good deal of confidence in me. I learned early on if I wanted to argue with him I would argue with him in private—not at a staff meeting or in public. That was the way to handle the gentlemen. We were together, sometimes at three or four o'clock in the morning on his bed, reporting on the Tehran oil negotiations of the early part of the 1970s. My colleague in the British embassy, Donald Murray, and I went to meet the oil men. It could be Lord Strathalmond, Willy Fraser, Chuck Pearcy from Exxon, Al Decrane from Texaco, Bill Tavoulareas from Mobil, or a combination of them, or only one of the, when they finished their day's negotiating with OPEC representatives, led by Jamshid Amouzegar. Then Donald and I would debrief them—or “take what it was they wanted to give us” is a better way of putting it—and I would go back to the embassy, prepare a message, and then he wanted me to come over at any time of the day or night and we'd go over the message and get it off. He always put his imprint on it. Always.

*Q: Tell me. How effective do you think he was as ambassador?*

LEHFELDT: Not very. His relations with the American community were parlous at best. He was scared stiff of the Shah. He had a couple of interests that people pandered to —hunting primarily. I just don't think he measured up as a very good ambassador in the sense that he could stand up to the Shah, interpret what the Shah meant, interpret what the government meant, and sort of put it together in an amalgam that was useful as a policy guide in Washington. Similarly when it came to the oil men he, I'm afraid, offended

them badly in the first few meetings when they came to call on him. With the result that they never really trusted him. So, there was a relationship surely, because of the position he held. But there was no friendship and no confidence.

*Q: He seemed to have an imperious manner to me.*

LEHFELDT: Yes. But that was because he affected that to look as much like his uncle as possible. Which his wife always made fun of. She being from a political family herself.

*Q: Yes—the Barkleys.*

Now Joseph Farland took over for MacArthur I guess in 1972.

LEHFELDT: Yes. He was there nine months. They rushed him up from Pakistan so there would be an ambassador in place when Nixon came, Nixon and Kissinger came. In May.

*Q: Was he appointed to be a long-term ambassador? Was that the original purpose?*

LEHFELDT: He was to be a long-term ambassador, yes. But he was a failure. He, on the other hand, had great relations with the business community.

*Q: He was a coal industrialist, from coal mining?*

LEHFELDT: Well yes, sort of. His wife's family was, and he was a lawyer “of counsel” to [Walter] Surrey and [David] Morse here in Washington. He'd worked many years in the Republican vineyards fund raising, so he was rewarded with a lot of ambassadorships.

At any rate, he was there for about nine months, and was very popular in the American community. He was a lightweight, no question about that. He had no, apparently could build no rapport with the Shah. I have heard it said and I don't know that I can confirm this, but his recall was as much a desire expressed by the Shah as it was a need by Mr. Nixon to find a place for Ambassador Helms.

*Q: That's very interesting. That's very interesting.*

LEHFELDT: Yes. I can't prove that.

*Q: So Helms comes in early 1973, I guess?*

LEHFELDT: Yes.

*Q: How would you characterize him as ambassador?*

LEHFELDT: Well he was very knowledgeable. He had a background that was unparalleled as far as I could tell, in any ambassador I worked for in Iran or knew about in Iran. He was preoccupied with some of his legal problems at home. And of course all of the Watergate nonsense that took place after he left. He was dragged in—kicking and screaming oft times—but he had to worry about that too. He and the Shah got along very well indeed. He knew how to interpret the Shah, knew how to deal with him, had long experience in it, and of course with his unparalleled connections in the US government. Whether he had the confidence of the US government or the attention I don't know, but he at least had the connections to get something done when it needed to be done. I had the greatest admiration for him, not to mention affection. I think he made an impressive record in Iran. Let me I guess add this at this point—if there were any directives from him that we stop trying to find out anything, I never saw or heard them.

*Q: In terms of what's going on in the country generally, and politically.*

LEHFELDT: Yes. Or the opposition or anything else. That simply didn't take place on my watch.

*Q: So he was much easier to work for than MacArthur, I take it.*

LEHFELDT: Yes, in a different way. I had no trouble working for MacArthur. Other people did, but I didn't. He was not as easy in some respects to work for because he had a

knowledge and a willingness to go off and do things himself without naturally checking whether it was what I wanted to do or not. It didn't matter whether I wanted to do it or not. Sometimes advice was not sought. But that was a rare occasion. What else can I say about him?

Any time I got in trouble with an Iranian government official—and I did. When I say trouble, I was backed up. If you'd like an example—after the oil price increases and money started rolling in, one of the preoccupations of the U.S. government—naturally—was the recycling of petrodollars. It fell to my lot, on instructions from Washington, to go over to see the then head of the central bank, Dr. [Mohammed] Yeganeh, to break the news that the U.S. government was not going to support a couple of World Bank loans to Iran that they had in process, and that indeed we would like to suggest to the government--to the Iranian government—that they start putting their oil money in places where it would whirl around the world and help some of those nations especially that had no oil and were badly off and could use some funds somehow. Well this upset him greatly. He rushed to the palace to tell the Shah all about it, and the Shah got all over Helms. But, after venting his spleen a little bit, the next thing we knew the Shah had announced a grandiose scheme to loan money at low interest to developing nations and so forth and so on, if you recall that episode. So, you know, these episodes had their effect, or these initiatives had their effect. The personal equation may be a little difficult at times, but it was easy in that sense to work with Helms because he understood what had to be done.

*Q: Very interesting.*

Who were your principal contacts in the Iranian government? Who were the people you worked with the most?

LEHFELDT: Perforce, the one I worked with most was Mehdi Samil. He was variously head of the central bank, head of the Plan Organization, special advisor to the Prime Minister, head of the Agriculture Development Bank, a whole series of things of that sort.

He always had a special relationship with Prime Minister [Amir Abbas] Hoveyda and the court, indeed. I respected him as a good technocrat. He gave good solid unvarnished advice. We became close and I think still are close, good friends. He was one.

Another I worked with a good deal—now let me see, there were a whole batch of them. But Fereidun Mahdavi, who was then deputy director of the Industrial Mining and Development Bank, later became Minister of Commerce and was the organizer of what I call the, I don't know, Chinese students price control committees during his reign as Minister of Commerce. He was a factor in bringing about the revolution, from my view.

Jamshid Amouzegar, who was Minister of Finance. I, in a variety of ways, worked with him. I single-handedly negotiated with him on the Iranian debt question with the United States for several years.

*Q: This is the lend-lease debts?*

LEHFELDT: Yes, the lend-lease debts. Which he was totally opposed to paying. But I, after Chinese water torture I guess, got him to give me a million something or other—a million three as I recall—on account, and was going to give me more money. Then I made a mistake. [laughs] He was always very prickly on the subject to begin with. I made the mistake of suggesting that, you know, the U.S. government really had no legal requirement to do some of these things we did after the war. Because after all the Iran agreements were with the Soviet Union and with Great Britain, and we were simply a subcontractor to Britain. With that he went straight through the ceiling and said, “I'm not gonna give you another penny!” [laughs] But I see him, I mean we're still friends—I see him here in Washington once in a while.

Another one—Hassan Ali Ebtehaj, who was a senior statesman, head of the Iranian's Bank. Reza Moghadam, who was deputy head of the Plan Organization. Khodadad Farmanfarmayan.

*Q: So a wide range.*

LEHFELDT: A wide range. Sure—a wide range of personalities. They were in and out of the government, some of them. Let me see. [Abol-] Qassam Kheradju, who was head of the Iranian Industrial Mining and Development Bank. Reza Fallah from NIOC [National Iranian Oil Company]. Taghi Mossadegh from the gas company, whom I still see—socially at least. There are some others I know. Dr. Tahir Zia'i, the head of the Chamber of Commerce.

*Q: You got to know a number of these people personally as well as...*

LEHFELDT: Oh yes. Personally, socially, and officially on business purposes.

*Q: Did you get a sense of what people privately felt about say the Shah, the Shah's system?*

LEHFELDT: Yes. For the most part in that time frame, and I have to divide from then to the second half in my stay in Iran. There was a great deal of pride in what was happening and what could happen if properly carried out. There was a great deal of satisfaction—scarce resources were being managed prudently. This comes from Khodadad Farmanfarmayan, from Mehdi Samil, Cyrus Samil, and a couple of people I hadn't mentioned earlier. Reza Amin, who was head of Aryamehr University at the time. Farhang Mehr, who was the head of the Pahlavi University in Shiraz, also head of the Melli Insurance Company for a long time. He was a Zoroastrian and head of the Zoroastrian community in Iran.

They felt very proud of what they were accomplishing educationally, technically, and industrially. They were less proud of the ultimate effects of the land reform and the way agriculture was being treated. They knew they had problems. But they felt that given time—and this was something the prime minister said every once in a while—that “If you give

me another ten years or so, we will overcome our problem and we'll last. But if I don't have another ten years"—this was well into the end of his prime ministry...

*Q: Hoveyda?*

LEHFELDT: Hoveyda. "—I don't know whether we can make it last or not." So that, sure, they questioned. A lot of these people came out of the opposition—Fereidun Mahdavi, Tudeh, Mehdi Samil. If not Tudeh, one of the parties aligned with it. A lot of them came back from abroad, from positions of trust abroad, to take part in the reformation of Iran. Not because of their love for the Pahlavis, but rather their patriotism and their strong sense of duty to their family and their country. There were even some from the old Qajar families, as Farmanfarmayans, who looked at the Pahlavis as upstarts. If you got enough Farmanfarmayans together privately, they would talk about those sergeant's kids, and so on. [laughs]

*Q: Did they express concern about the lack of political institutions that could outlast the Shah? Was there concern about the political dimensions of development?*

LEHFELDT: There were always those concerns. But, you know, the various experiments that took place in the five years I was there at the embassy, with the Mardom Party. The head of that was a friend of mine, who was killed in an automobile accident up in the Caspian. Then the Rastakhiz party, which everybody made fun of. I remember one election day I was over seeing Jamshid Amouzegar, and I made a crack about, "Why aren't you out voting today?" He says, "I am not political. I have never belonged to a party and I never will." Well he ended up as the head of the damn Rastakhiz Party, because the Shah told him to. So yes there were concerns but, they had never enjoyed democracy before—really never had in Iran. The system was making progress fitfully. There were leads and lags as there always are, but on the whole I think they were reasonably satisfied. But of course they all had friends who had run afoul of SAVAK somewhere along the line. So, they were realists!

*Q: When was the first time you met the Shah?*

LEHFELDT: Oh, I guess when I went up with MacArthur for a presentation of his credentials—seven o'clock in the morning in a white tie and tails. [laughs]

*Q: Did you ever have conversations with him?*

LEHFELDT: These were always very formal occasions when I was permitted near the Shah. That was one of the things that happened with the marriage of the Shah and [Empress] Farah. I know from friends who were in Tehran in the immediate post-war days and as late as the early 1950s, the court was very informal. Third secretaries from the Turkish embassy or the American embassy would play tennis with the Shah. But by the time I got there the formality of the court, caused as much by security requirements as by the growing numbers of young princes and so forth, and lackeys who were trying to protect him from his public, and the genuine need to protect him as a matter of fact, made it impossible for ordinary intercourse. If that's the right word there.

*Q: What were your general impressions of him, just from afar.*

LEHFELDT: From afar he was—I had a number of impressions, filtered through by various people and from my own observations. He was bound and determined to appear imperial. Indeed, he said as much to a newsman that I know when they were together on an airplane flight to Geneva or to Switzerland once. “I have to act like a Shah. I have to act imperial. My people expect it. That isn't my nature, but that's what I have to do.” You get a sense of the emptiness of the imperial life from another Iranian friend of mine who was often at the court. When I was involved in some negotiations involving an American company with Hushang Ansary and the development of the Sar Chesmeh copper deposit which was then, you know, an enormous deposit. They played a game called Botticelli up in the court. Do you remember how that goes? I'm not quite sure I remember either. They occupied several hours of time at the court playing Botticelli with the Queen and the

Shah and the various hangers on. One of the questions apparently revolved around the Sar Chesmeh copper deal—I can't remember what it was. But my friend Cyrus said that, you know, this is the way it often is. Sit around and make small talk, and while away their time. Get all dressed up with their jewels and gowns, the children and so forth and so on, and just very sterile.

*Q: Now in terms of the state of the country as a whole—Iran as a whole—in this period, what were your impressions of the conditions and...*

LEHFELDT: Of the reach?

*Q: Yes.*

LEHFELDT: Well Tehran, of course, was spoiled. Tehran got everything first, and got all the best. It was necessary. If you're traveling around the rest of the country, the level of availabilities of the necessities of life and some of the good things of life were almost entirely dependent upon how wealthy you were. Which is not unusual. The poorer people in Tehran were infinitely better off than the poorer people, let's say, in Mashed or Tabriz or Isfahan or Shiraz. Now this changed. You could see the change, you know, it was almost palpable, especially as compared 1969 and 1978. You could go off in the farthest village in Iran in 1978 and something would have happened in the village that reflected the increased wealth. It might even only be a portable radio that they started to like to carry around. The Iranian version of the ghetto blaster, I guess. Or, plastic dishes of one sort or another, or plastic slippers. A whole variety—some nonsensical, but some very utilitarian things that in 1968, 1969 simply were not available to the average Iranian. That doesn't mean there was any equitable distribution of the wealth—I'm not saying that at all. Just that the trickle down theory works if you don't expect too much of it.

*Q: When people looked at the country in a political sense, did you see it as basically stable in the early 1970s?*

LEHFELDT: Well that was an article of faith. That was—I don't know whether Ambassador MacArthur gave you his “island of stability in the sea of troubles” speech, or “the great arc speech,” as we used to call it. Or the simile of “the Shah is trying to pull the Iranian nation out of its womb into the twentieth century” so forth and so on. I don't know where he developed those things, but they were colorful if nothing else.

But that was an article of faith that there was just no way that he was in any way challenged by any political movement. Sure there would be the odd terrorist. As days went by, it was clear that yes, there was a movement that was out to get him or somebody—anybody they could get to ambush, Ambassador MacArthur even, as you probably know. They tried the Shah several times too. But no, there was never a question that he was in any danger in those early five years. The first five years.

*Q: Say in terms of the religious opponents of the Shah. Were there any look at them, or thought about them as...*

LEHFELDT: Very little. We knew that with the death of the grand ayatollah—(Kashami) I forget his name now. He (the Shah) had never succeeded in bringing himself or getting anybody to agree on who should be named to replace him as the grand ayatollah. My own feeling is that he just decided he wasn't going to do it anymore. After all, my own view of the sweep of Iranian history is that it was a constant battle between the monarchy and religious—the secular and religious, as exemplified by the monarchy and the religious establishment. I think that goes back as far as the Safavids at least. I don't know whether it went beyond that or not. Probably so. If you look at some of the old pictures when Reza Shah came into power, the majlis was made up of mostly mullahs—or at least they were wearing turbans. I was told later when I made that observation to somebody that, “Well yes a lot of people took on the religious attire at that time, but that didn't necessarily make them Mullahs.” I still think most of them were, though. At any rate, the religious element was always there.

When Ataturk successfully—at least up until now has successfully—made stick the division of church and state in Turkey, Reza Shah wanted to do that in Iran, and [King} Amanullah wanted to do it in Afghanistan.

*Q: Who?*

LEHFELDT: King Amanullah, who was assassinated and overthrown in 1929 by Bacchaw Saqao. At any rate, that's neither here nor there.

Reza Shah's desire was to try to separate church and state. But he had a much more difficult time of it, because the relationship of church and state in the Shi'i tradition I think is stronger than in the Sunni tradition. I'm not totally certain of that, but I think it's...

*Q: That's my impression.*

LEHFELDT: So it was more difficult for Reza Shah to impose the same sort of reforms that Ataturk imposed. But that was his desire. Had World War II not come along to frustrate any further developments by Reza Shah, he might have got them there. But, who knows.

*Q: Now in terms of the, say, foreign relations issues. How would you describe, as you understood it then, the policy approach that Nixon, Kissinger, and Rogers took towards Iran.*

LEHFELDT: It changed. Perforce it changed with the withdrawal of the British from the Gulf Area in 1970. We had relied on the British for a variety of activities in those days, and we were not either psychologically geared or I believe materially geared to replace the British in any real way. Certainly not commercially. [laughs] The advent of a Britishless area, with their ability to manipulate, maneuver, and control made it incumbent on the U.S. to try to look to its policy approach to the area. That coupled with the growing preoccupation with Vietnam—leaving Watergate alone—and the rapprochement that Nixon achieved with the Soviets and the Chinese made it clear to all of us that some

changes in American policy were necessary. Now whether it was necessary—well, be that as it may. What eventuated was of course Nixon's sort of anointing the Shah as the peace keeper for the area, to the irritation of the rest of the Arabs, and to the—I presume—great joy of the Soviets. I'm not sure, knowing that he couldn't do it.

But some great things, I think some useful things happened as the result of that. I believe the agreement engineered by the Algerians with Iraq over the Shatt al-Arab was a real achievement, and would—all other things being equal—have let to a good deal more stability in the area. I don't know whether that was the result of Nixonian-Kissingerian policies or not, but that was certainly one—it followed from them, anyway.

Of course the effects of Nixon's diplomacy towards Iran were that the Shah, during the 1973 oil crisis, and as a result of the Arab-Israeli War and the deepening Vietnamese crisis, turned out to be one of the most staunch areas of support for the United States, in the sense that he made available a squadron of used, but a squadron none the less, of F5E's for transfer to Vietnam. He made sure that our Navy was resupplied at sea—of course we paid, none the less the supplies were there, when the Arabs were cutting us off—and other evidences of strong support that flowed from the Nixon-Kissinger policies. There were exacerbations in other directions, but in terms of strictly US-Iran arrangements and relations they were good.

*Q: Was there any dissent in the embassy or at the State Department or elsewhere from the policy? Any thinking that maybe it might not be workable?*

LEHFELDT: I wasn't aware of any. Then, that wasn't my bag.

*Q: Yes, exactly.*

One thing you mentioned earlier in terms of the question of stability. You said that as far as you know, Helms had given no directives saying, “There should be no contact with

opposition people." To what extent were there discussions with, let's say, former National Front people. Was there contact with the opposition under Nixon and Ford?

LEHFELDT: Well of course it's easy to say there were no directives not to discuss anything with them. Mostly it was their decision, the opposition decision, not to have anything to do with the United States representatives. Very few of them would openly consort with us, or talk with us, because they were afraid for their skins as well. You know, those of us who didn't speak Persian particularly well of course were condemned to those who spoke English or French or German or Spanish or Italian or whatever. They were by and large the all ready coopted ones into the Shah's system. The uncooperative ones, the active oppositionists, the Mujahideen, the religious fanatics, had every reason not to talk to us. So that for someone in my position to go off and seek out someone like that would have been fruitless almost.

Now, having said that let me say this, add this. We got some bitter complaints from the palace one day, from Court Minister [Assadallah] Alam. It seems that every American newsman or anybody who came to interview the Shah came to the American embassy first for a briefing and then he comes up and asks the most embarrassing questions. [laughs] I recall—and you may recall this too, I don't know. In one interview with Mike Wallace, Mike Wallace came to the embassy and several of us briefed him. I briefed him for a couple of hours. Then he went up to the Shah and asked a lot of searching questions about his sisters' involvement in drug smuggling. Just absolutely infuriated the man. So much so that on his Sixty Minute portion covering the Shah, he was able to make the Shah look like a real fool. Unfortunately. I don't know why the Shah subjected himself to these things. There was absolutely no reason for him to. But he just had enough amour propre and enough egoism to think he could out-smart these rather more experienced interviewers.

*Q: In terms of the question of context—I mean the CIA had a station in Iran, but did they have people that would be in touch with, in a sense they must control the Soviet Union questions.*

LEHFELDT: You know, as economic counselor I wasn't—again—privy to the things they did. When I was acting either as charge or as DCM, which I did at various times under Helms, yes then I had a little bit more knowledge but I really don't have a great feel for the kinds of things they were sending in. I saw a lot of their reporting. Yes, they had people scattered around. I don't believe, I never really got the impression, that they were actively cultivating oppositionists. Yet in post-revolution discussions with some of my friends at the Agency, it comes clear that, you know, they had pretty good relations with a lot of these people. They knew a lot of them.

*Q: Through the years.*

LEHFELDT: Over the years, yes. Including Ghorbanifar.

*Q: George Cave was station chief then, wasn't he?*

LEHFELDT: No, he was never station chief.

*Q: I thought he was station chief?*

LEHFELDT: He was deputy. Station chiefs, unless it was a cover sort of arrangement, the station chief for many years was Bill Bromell followed by Art Callahan followed by somebody else, followed by a man who had spent the thirteen previous years in Tokyo, who was station chief at the time of the revolution. George at one time was technically working for me as my civilian aviation guy.

*Q: That was the impression I had. That was his cover.*

LEHFELDT: Yes.

*Q: But he had an office somewhere else.*

LEHFELDT: Yes.

*Q: And the first one was Bill Bromell?*

LEHFELDT: Yes.

*Q: Okay, that's interesting.*

Now, in respect to some of these policy issues. From what you sensed, what kind of interest made Iran important to Washington?

LEHFELDT: Well it was a market among other things. We had hoped it was going to be a growing market. It was a source, of course, of profit for our oil companies—considerable profit. It was an object of possible investment, and other companies were there besides the oil companies. From a military point of view, if the relationships between Turkey and Iran made sense at all after the demise of the Baghdad Pact, it was in the security sense of relationship with NATO and so on, and with Pakistan. And it provided a very important air route for American commercial, as well as military, aircraft from Europe to the Far East. Now they have to go all the way around. Well, that's not quite as important today as it was in those days, in the early days, when jets were just beginning. It was certainly important then. And from another set of glasses, the intelligence side, it provided a safe haven for some of our intelligence gathering operations on the Soviet Union. So there are a whole series of—and it was the kingpin on the Persian Gulf. In Doug MacArthur's time, he would often rail against the “radical Arab regimes of those wretched little states who have just been let free. We have to worry about their long range stability, and the Shah is the man to keep them in place,” and so forth and so on. Finish the statement. So from the point of view of that time frame, there were a whole set of interesting, if not necessarily overwhelming, considerations that made Iran important to us.

*Q: How did policy filter down from Washington? Were cables circulated widely, or was it the ambassador who would give you briefings, or what?*

LEHFELDT: Well of course we all, we came in and out of Washington. We were all—those, at least the senior officers of the embassy were privy to the missives that came out and to the periodic assessments, intelligence assessments. We had all the policy briefs that came out of Washington. Unless there was something particularly sensitive, we had access to all the incoming telegram files from Washington—to the ambassador, to the various sections. In the economic-commercial session, by and large I was about the only one who was privy to most of that. But, there was a certain amount of need to know. But when it came to things petroleum and when we got into these very delicate negotiations. John Washburn, certainly was privy to most of them.

*Q: Who were your counterparts in Washington? Who did you keep in touch with in Washington in terms of economics?*

LEHFELDT: Oh—[laughs]—good question. Sort of just sent things off into the blue! No. [laughs] Partly that's true! Partly that's true. You never knew who you were sending things to sometimes. No, the desk is always uppermost in our mind. At the time, for most of the time I was there, it was either Jack Miklos or Charlie Naas, John Countryman, Bob Dowell, Mike Michaud, and so on who were always understudies. Jim Akins and his successors in the oil-petroleum side. On the commercial side, it was a little bit more dicey because they just—most of them—the Commerce Department were fighting different games. They didn't like MacArthur. They didn't like me, they didn't like my commercial attach#, because they felt we weren't playing the Commerce Department game.

*Q: Who was the attach#?*

LEHFELDT: George Ellsworth. Who was a funny man. You know, very strange, very effective, inspired great confidence in the locals. Was well liked in the American business community, but not by his own department. [laughs]

*Q: He was part of the Commerce Department.*

LEHFELDT: Yes. Well, he was a Foreign Service officer but a career commercial officer. Had worked for them for years! All over the world—Latin America, Vietnam, wherever. Very accomplished, knew the game.

*Q: Did you keep in touch with officials at other agencies besides Commerce and State? Like Treasury or the Ex-Im Bank?*

LEHFELDT: Treasury to a much lesser degree. Ex-Im Bank yes, because you know Henry Kearns used to come out and his minions used to come out. Whenever I came to Washington I would see Henry. I saw Bill Casey, one time when I was leaving Iran. He was then head of Ex-Im. Treasury and certainly the then beginnings of what is now DOE [Department of Energy]. Mel Connant was part of the operation in Treasury. Bob Ebel, who is now here with Enserch.

*Q: With what?*

LEHFELDT: Enserch. It's a corporation.

Let me see, what other agencies. Agriculture I used to go see quite a lot as well, because we had extensive agricultural arrangements—CCC credits [Commodity Credit Corporation], Fat Lamb programs, Regional Pulse Improvement Project, and things like that.

*Q: Most of the correspondence with Washington was done through cables, or was it also...*

LEHFELDT: Cables. There was a good deal of “official-informaling” as well.

*Q: Yes. Letters.*

LEHFELDT: Yes. Cables and what we called dispatches, which I guess, they're almost obsolete now.

*Q: Those are the longer papers.*

LEHFELDT: Yes. You were supposed to do your think pieces on those. They served that purpose in the early days, but as cable became so easy and so cheap, in a manner of speaking, dispatches became something that you could sit down and write your novel almost, and send it in. Somebody might read it, and find its way into the archives, and you will have made your point. But you've had no effect whatever on policy.

*Q: Now during this period, as you note, Nixon and Kissinger put in, in effect, a new National Security Council system, in which I gather the State Department lost some of its policy making authority on. Did you get that sense at the time, that State had a diminished role?*

LEHFELDT: Well we had that sense but mostly because of the newspaper reporting that Bill Rogers was not considered to be an equal of anybody's in the White House. It didn't surprise any of us. Certainly didn't surprise me, because I'd lived through the Kennedy White House in the Department of State, and they had the same approach to dealing with the State Department as the Nixon White House and as the Carter and as the Reagan White House! “Forget the professionals. We politicians know better how to do things.” Well it was fine when you have real politicians with a great deal of background—as McGeorge Bundy, and so on and so forth, in the Kennedy White House. Even in the Nixon White House you had enough professionalism, with Kissinger and the people he gathered around him, to have some faith that nonsensical things would not occur. But in the Carter White House, that faith was dissipated. In the Reagan White House—well, we're not in to that.

*Q: The story is still unfolding.*

LEHFELDT: Yes. They had a guilty plea, by the by, from [Carl] Channell today on conspiracy to defraud. He named as his co-conspirators [Oliver] North and, I've forgotten the other.

*Q: That's very interesting.*

But these arrangements that we're talking about at the NSC. Did this cause any problems for people at the embassy?

LEHFELDT: Not really.

*Q: No real practical effect.*

LEHFELDT: No real practical effect as far as we were concerned.

*Q: Okay.*

Now, one of the major issues during this period, of course, was the control of oil prices and production. How much work did you do on energy issues? I guess you've already talked about it a bit.

LEHFELDT: A lot.

*Q: Apparently quite a bit.*

LEHFELDT: A lot. Yes. John Washburn and Bob Dowell before him were really first rate professionals in the petroleum business. They understood it, they did a good deal of research in it, they had infinite number of contacts and associations within and without NIOC and the oil business and the private companies—British, American, French, Dutch. So, I never felt starved for information, in the daily practical sense. Where the U.S. government was hampered was, the oil companies had been permitted—and some of this I've just picked up recently by reading about the Harriman missions and Hoover, that

helped set up the Consortium after the Mossadegh days, and [John J.] McCloy—permitted the oil companies full and unfettered control. There was no requirement on them any time, to keep the U.S. government informed. Indeed, our ability to get good solid, reliable, statistical data was very low. The, what is it called—American Petroleum, API. It did not collect information. They collected some general stuff, but not the kind of information you needed for close analysis of pricing and supply, and so forth and so on.

So that as time went on, some of the things we had to deal with when 1970 and 1971—the early days of the Tehran negotiations—came along, we had some intractable problems that couldn't be solved that had been caused by other economic actions. For instance. The domestic refining and distribution systems of most oil companies were almost break even operations only. Because the companies had pushed all the profits to the well head. That's because unrepatriated profits were not taxed! So, they had billions of dollars to play with for added exploration around the world, and development around the world, that were—until they repatriated profits—were free money. So that when the local government started—after the OPEC agreements—started taking a bigger bite, a much bigger bite, it made the distribution and refining operations unprofitable at home. That's why you saw a lot of stations close, a lot of chains sold off, and so forth and so on.

*Q: They need to rationalize their systems.*

LEHFELDT: Yes. None of us realized that until, almost too late.

*Q: So you're saying the cooperation with the companies was very, nil practically.*

LEHFELDT: Parlous, yes.

*Q: Parlous. Before we get to the details, how would you characterize the general approach the Nixon administration took to OPEC as OPEC developed?*

LEHFELDT: All the time until 1973, we had strict instructions to stay away from OPEC. We were not even to recognize it as a viable entity. There may have been—no there wasn't an OPEC office in Tehran but, the OPEC office was in Vienna. The embassy in Vienna was instructed to stay away from it. We had no knowledge of what OPEC was doing as an organization. When the negotiations came along during the last days of 1971, I guess it was—the early days of 1971—that resulted in the increase of oil prices to, now these get a little hazy.

*Q: You mean the Tehran agreement? February 1971?*

LEHFELDT: The Tehran Agreement. Yes, February 1971. The results of that agreement were announced by the Shah in a television address, which we watched at Doug MacArthur's, at the residence. All the oil men were there because they didn't know what was coming out, either. They hadn't been told by the Shah or by anybody what was going on. Just as side light, the Japanese ambassador and a couple of his people had been sent out from Japan to monitor the things were also there, because he was an old friend of MacArthur's. The Japanese of course along with the Germans, who at the time were expected to pay for all of these increases, had no handle on any of it. John Washburn and I at the time, came to the conclusion that the Japanese especially would never let themselves get caught in that situation again. From then on we had a very active Japanese effort to get hold of, get some controls one way or another—by investing in petrochemicals, by buying oil companies, by buying whatever. Until now you see heavy Japanese involvement all over the oil business. But at that time they felt very helpless.

*Q: I'd like to ask you some questions about the Tehran agreement and how it developed, the Irwin Mission and so forth. How are we fixed for time?*

LEHFELDT: It's almost six o'clock.

*Q: Let's go maybe for a little while longer, then we can break off for now.*

LEHFELDT: Yes, sure.

*Q: Now, many important developments in late 1970 and early 1971. Libya raised prices first, and the OPEC met at Caracas and declared their intention to take over oil pricing generally. How did the embassy I guess, and the State Department generally respond to that decision?*

LEHFELDT: Well the oil company strategy at the time, which was also the U.S. government strategy, was not to recognize OPEC and was to keep the Eastern Med situation—which is the Libyan situation, we called it Eastern Med [iterranean]—separated, walled off, from the [Persian] Gulf situation. Golf pricing and Eastern Med pricing would have no relationship one to the other. Even the oil that was delivered to the Eastern Med through pipelines from the Gulf were to be considered special from our point of view. Now the oil companies always suspected that Doug MacArthur gave this away in some of his loose talk with Jamshid Amouzegar and the Shah. I don't know. I think so too, but I don't have any proof of it. That he linked the two through the U.S. government for the Shah and Jamshid Amouzegar, who was then the, sort of the, leader of OPEC, and forced the oil price increase of January 1971 that did relate Eastern Med and Gulf prices on the oil consortium in Iran.

*Q: Was there much concern that Libya would convince OPEC to use oil as a political weapon?*

LEHFELDT: Yes there was. That was why it was our desire and firm intent to separate Eastern Med pricing from Gulf pricing.

*Q: From what I've read, and I've seen some of the Church Committee hearings and so forth, apparently now McCloy and the oil companies, I guess they worked on a plan for the majors and the independents together to take a collective approach.*

LEHFELDT: There were forty some of them that met every morning for hours, yes.

*Q: This was called the joint approach, which the State Department and the Justice Department sort of approved?*

LEHFELDT: Yes, they gave them a letter of...

*Q: Waiver.*

LEHFELDT: Waiver.

*Q: From the Anti-Trust Act?*

LEHFELDT: Anti-Trust Act, yes.

*Q: Wasn't John Irwin sent over to negotiate?*

LEHFELDT: Came over on a mission, yes. Came over on a fact finding mission more than anything else, and he went through all of the Gulf, through Saudi Arabia, Kuwait, Iraq, Iran, and I don't know where else. Of course John came out of an oil background himself. He was a banker as well as a lawyer. He understood the business. I never ever got the feeling that the Irwin mission—this gets a little foggy—that the Irwin mission really had that much effect on the outcome of negotiations. It was more fact finding as nearly as I could tell.

*Q: This joint approach, then, the companies were trying to organize. Did the State Department actively push that? Or was that just...*

LEHFELDT: No, that was just the oil companies. The oil companies. The oil companies acted jointly in Iran, as well.

*Q: Now according to one document that I've seen, the Shah was distressed by this joint approach idea of collective bargaining.*

LEHFELDT: Yes, he felt that he was being ganged up on. That was part and parcel of his congenital, or his long suffering, paranoia. Which is shared by all Iranians, that they're being conspired against. When you have forty oil companies led by the major oil companies of the world, that they view as having manipulated them for years—in a sense they did. Well, in a real sense they did. Ganging up and meeting on how to deal with all of these—as some of the oil men might say—"rag heads," sure you do get real paranoia. Let me just throw in a couple of reasons why at least on the surface it's believable that they were being conspired against.

When I first got to Iran, in 1969, the total oil income for Iran was 690 million dollars. That's it—less than a billion. Of course when I left in 1974 it was twenty-four billion, allegedly. It was, came close to that. We would argue over pennies a barrel, which the oil companies would sit there with a straight face and say, "This means billions of dollars to us." It did. But the penny a barrel the Shah was going to get as increased royalty was peanuts. Five million barrels a day, let's say—not very much.

*Q: I guess the Consortium had an agreement whereby they could control production, and limit it. I think it was the APO system, something like that.*

LEHFELDT: They had an agreement with the Shah on annual liftings. Or they had five term, five year, agreements that were reviewed. What each company would lift. Of course given their alternate supplies around the world, this is why the oil companies were so successful in keeping them separated for so many years. The Saudis would push them to lift more, and so the Iranians couldn't sell more or they couldn't undertake to lift more from Iran because they were lifting more from Saudi, and vice versa. They played one off against the other very nicely over the years.

*Q: I had the impression that the companies had their own arrangements among themselves that the Shah didn't know about for some time, whereby they could control production, prevent over-production and falling prices.*

LEHFELDT: Well yes, they could do that all right. Sure, they managed the supply—no question about it. Because you know left alone, Saudi Arabia and Iran and the Gulf states and Libya would have been flooding the market with oil if there hadn't been some controls. That's why they got in trouble later on when OPEC really was in control—they didn't control very well.

*Q: Back to the time of the Irwin mission. According to one of the documents that I saw, the Shah threatened to MacArthur an oil embargo by the Gulf producers if the companies played what he called any "dirty tricks." Did you ever hear anything about that?*

LEHFELDT: Yes, I heard that. But nobody really believed him. Nobody really believed him. He couldn't afford it. He was engaged in a military build up, domestic military build up. He was engaged in an extensive development program. They were already having trouble managing their resources in a way that provided for all of their needs, and the money tree hadn't started to blooming yet. So at the time that threat was made, it was viewed as an empty threat. But again, that was as much MacArthur's reporting and his failure to understand and handle the Shah, as anything else.

*Q: What kind of options did MacArthur have, do you think, at that point?*

LEHFELDT: What kind of options did he have? I don't know that he had any real options. But had Julius Holmes been there, Julius would have said, "Hey. [pounds on desk] Your majesty, calm down. It's in all of our interests to make sure this works out well. Threatening us like that isn't going to do you any good, it isn't going to do us any good." MacArthur simply reported. Didn't remonstrate, as far as I recall. Phil Talbot would have done the same thing.

*Q: Back to this joint approach idea. Apparently the oil companies, were they hoping that Irwin would push this approach to the Shah?*

LEHFELDT: I don't know.

*Q: You didn't get any sense from talking to...*

LEHFELDT: No.

*Q: Okay. In any case, after Irwin's visit the companies agreed to separate negotiations in Tehran with the Gulf states on the one hand, and in Tripoli...*

LEHFELDT: Yes. That was part of the same effort to keep them separated.

*Q: The company team in the Gulf was led by Lord Strathalmond.*

LEHFELDT: That's right. Willy Fraser.

*Q: Do you moderate negotiations pretty closely?*

LEHFELDT: Yes! Practically every night, with Willy and Al DeCrane, Bill Tavoulareas, Chuck Pearcy.

*Q: People you mentioned earlier.*

LEHFELDT: Yes. Donald Murray. Sometimes the Dutch ambassador would join us when he was not out of the country. But when I say every night I meant we'd meet them at one or two or three o'clock in the morning.

*Q: Did the companies seek any advice or direction from the embassy, from Washington?*

LEHFELDT: No. No, no, no, no. Indeed, had we tried to instruct them they would have told us to go peddle our papers. [laughs]

*Q: They didn't seem to need diplomatic assistance at all?*

LEHFELDT: No, they didn't want us meddling. That was their point of view all along. This was not a diplomatic matter for “you amateurs in the oil business” to meddle in.

*Q: The policy makers in Washington saw it the same way? I mean, they approved that separation?*

LEHFELDT: Well, that was the way that it'd always been.

*Q: They accepted it?*

LEHFELDT: Yes.

*Q: Under the Tehran agreement, which was signed I guess February 14, 1971, the companies and the governments agreed to fairly modest price increases, compared to later on.*

LEHFELDT: Yes. What did it go to? You don't have the figures.

*Q: I don't have the figures.*

LEHFELDT: It seemed to me we kept arguing about the equivalent cost of producing a barrel of synthetic or shale oil, which was then estimated to be about seven dollars or something like that. Seven forty-one.

*Q: Somewhere in that range, yes. But in any case, the agreements were supposed to last until 1975. I think the Shah also agreed that Persian Gulf prices would be stable even if Libya raised prices.*

LEHFELDT: Right.

*Q: Was there any doubt at the time that the Shah would stick to the agreement? How did people assess its durability?*

LEHFELDT: I don't think any of the oil companies ever felt comfortable that anybody was gonna stick with the agreement. In the event, of course, we never really were able to tell whether they were gonna stick by the agreement because of the things that happened, then, in 1973. After all it was only, what, a year and a half later that the whole thing fell apart.

*Q: The Tehran agreement meant a major step in the direction of national control over petroleum resources. Did oil companies generally accept this as a fact? Was there some resistance?*

LEHFELDT: Oh there was a great deal of resistance. There was always a lot of argument over interpretation of terms. When gas became an important factor—supplying gas, for instance, for the Soviet pipeline and for the projected pipeline through Turkey to Europe, and the major gas deposits that were discovered down in the Persian Gulf, absolutely mountain-sized—then a lot of discussion took place, a lot of argument took place, over the interpretation of what exactly those agreements meant, and what if any rights the Consortium had over these gas deposits. When they started using the gas for reinjection, for secondary recovery purposes, there was the question of, “Well who pays for that?” There was always the argument over who was going to fund the investment in added capacity. Of course the Iranians didn't want to invest in any of that. They felt the oil companies should invest almost all of it. So that, you know, there was a good deal of dubiety abroad as to the reality of the agreements, and how well you could make the Iranians stick to them, or the rest of the OPEC members.

*Q: How did the State Department assess these developments? Was it something that they thought that they should try to accept and try to moderate, or something that they should try to reverse if possible?*

LEHFELDT: No. There was never any thought, at least not in my mind or I never heard anybody express the thought, that we might be able to turn the clock back. No way. Nor

was there any real effort at the time, until 1973, to inject U.S. government muscle into the oil patch. Then it became a matter of life or death, of very great strategic value. That's when the U.S. government became much more active in trying to affect national policies on the local level of the individual OPEC states.

*Q: Did any of the oil companies come around and, say, complain? Say maybe the State Department should be helping to push this?*

LEHFELDT: Never. You know, these were all old fashioned international oil folk. They'd grown up in the tradition of, “We don't need you guys, and we don't want you meddling in our business.” You had people like Jan van Raven and Chuck Pearcy, and let's see. Who was the...

*Q: van Raven?*

LEHFELDT: The Dutchman who was head of the Consortium at one time. Some of the British Petroleum people, especially, and certainly the French CFP—Compagnie Francaise des Petroles—guy. They had no interest whatever in especially having the U.S. government get into it.

*Q: Okay. Now around the same time, the Shah was talking about going downstream, so to speak. Like getting the NIOC involved in refining and marketing of oil around the world. How much did the companies worry about that as a...*

LEHFELDT: Because, as I told you, they pushed all the profits to the well head they were quite willing to sell them. You recall, NIOC did buy some of our Gulf's—Gulf I believe it was, or Getty stations here in the United States. I forget what exactly. They were prepared to buy much more. The oil companies were quite prepared to let them run those non-profit operations. The Iranians and the other oil producers had the mistaken impression that that's where the great profit was. That how they could control the off-take of crude supplies, was by increasing refinery run through sales at the station and so forth and so

on. They had very little real understanding of the basic economics of petroleum business around the world.

*Q: So the companies were not really worried about a competitive threat.*

LEHFELDT: Not really. They were happy to take their money for those things.

*Q: In early 1972 the Shah made another step towards national control with the Saint Moritz agreement to turnover policy making and operational responsibility of the Consortium to the NIOC. Did the companies discuss these negotiations with the embassy while they were going on? They were fairly protracted, apparently.*

LEHFELDT: They were fairly protracted. No, not to my knowledge. The St. Moritz agreements were almost totally negotiated in the air there with senior oil company guys. It was, you know, it really was more window dressing than reality anyway.

*Q: The companies still kept the privileged position in terms of...*

LEHFELDT: Absolutely. They still had their off-take agreements and their cross purchasing agreements and so forth and so on. They weren't worried about that. If a little ego salving and massaging was necessary, I'm sure it didn't cause them very much pain.

*Q: That's interesting.*

Around the same time in 1972, 1973 the Shah and companies, I'm sure the Shah and OPEC were starting to stress the idea of unilateral national control for prices as a closed negotiations with the companies, whereby OPEC members would set prices themselves rather than bargaining with the companies. Did this move cause much concern, this announcement?

LEHFELDT: This was all posturing in a long line of posturing. These were all ploys in a negotiating game. If you stopped to get concerned about one or another of them, you would lose a lot of unnecessary sleep.

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*Q: Now of course in the fall of 1973, the oil price explosion came.*

LEHFELDT: The Arab boycott of the U.S.

*Q: How did the State Department respond to this development?*

LEHFELDT: The immediate concern, of course, was military related, so that the efforts to keep the U.S. Navy supplied, and we were of course in the throes of—had we withdrawn from Vietnam by then? I guess we had.

*Q: In the midst of it.*

LEHFELDT: We were right in the midst of it.

*Q: It may be over.*

LEHFELDT: It gets fuzzy because my concerns were immediate in Iran, but I believe we were still in the throes of withdrawing, in any case, and concerned about the possible spread of war in South Asia. We were of course concerned for Japan, and its continued well being. We were concerned with the resupply of our own fleet in the Indian Ocean and Diego Garcia and COMIDEASTFOR [Commander, Middle East Forces] and all the rest of it. So that the efforts at the time were directed towards assuring that oil was available to us in whatever way. The Shah cooperated. He did not observe the boycott. Indeed, there are some Arabs who feel that he conspired to keep Israel supplied. I suspect there may be something to that, I don't know.

*Q: Did he supply Israel?*

LEHFELDT: Always. Yes. Iran was one of the major suppliers of Israel for years.

*Q: Did he increase production at the same time the boycott was going on to compensate for some of the oil?*

LEHFELDT: Well he promised the Arabs that he would not increase production, as I recall. He was not going to take advantage of it. By that time he was beginning to be concerned about conservation, himself. About how long in the future his oil supplies would last.

*Q: In terms of the actual price increases he took a fairly hawkish position, though.*

LEHFELDT: Indeed, indeed. He felt that it's a scarce commodity, and was gonna get scarcer. So let's make up for all past sins against us and put the oil price where it belongs, truly.

*Q: How much of an effort was there, in a diplomatic sense, to try to moderate the Shah?*

LEHFELDT: I never had the sense that we were trying to moderate the price from a price point of view. We were always grateful to him, and willing to go along, because he made supplies available. That was the utmost consideration.

*Q: Stability in that aspect.*

LEHFELDT: Right. Yes.

*Q: Now, before the price explosion—I think in September, 1973—I think Libya had gone, raised some prices at this point. Nixon gave a speech where he said that the West could treat OPEC like it had treated Mossadegh in 1952, 1953, by denying OPEC countries markets for oil. Now, did anybody take that seriously?*

LEHFELDT: If they did, it was very momentary. Because by then it was clear we didn't have control of OPEC. I frankly don't remember the speech! [laughs] It was a great ho-hummer, I would think. Because by then Mr. Nixon was in deep yoghurt himself. His leadership was nonexistent.

*Q: Was there any kind of an effort made to find ways to bring prices down or check price increases by banks?*

LEHFELDT: No, none that I could see. They wouldn't have worked in the event. I think we were dealing with a fait accompli, and we were dealing with the need to try to make the best of it. That was, again, that's when the episode I recounted about going to the Central Bank occurred. You know, finding ways to recycle these vast numbers of dollars that we're suddenly getting. That was our major diplomatic effort.

*Q: I've gotten the sense that Nixon and Kissinger had some hope that they could bring oil prices down by somehow dividing OPEC countries among themselves. Did you get any sense that that was a desire?*

LEHFELDT: If they had that sense it certainly wasn't imparted down to the embassy, at least down to my level. I think had we been asked for a view on that as a policy effort, I would have tried to discourage it. We really had to deal with the immediate effects rather than trying to roll back the clock.

*Q: Was there much concern at the embassy or in Washington that the U.S. and Western Europe and Japan might somehow start competing for access to energy supplies?*

LEHFELDT: Oh indeed! Indeed. There was some of that. There was great concern that Japan was—well let me back up. In the heady days for Iran, of those vast oil price increases, there are a number of court cases still going on resulting from efforts to sign long-term agreements with NIOC and Ashland Oil. The Japanese signed long-term agreements at great prices. Yes, there was concern that oil would not be available, that

there would be shortages, that the Arab boycott would be reinstated—a whole variety of fears came along, that have proven groundless, but at the time it was real. Because Japan after all controlled the majority of the tanker fleet, Japan and the Greeks. In order to keep Japan, Incorporated going you had to have tankers going every day. So it was to their interest to sign long-term agreements. So they went ahead and did it. There were people coming to Iran in 1974, in early 1974 from the damnedest places in the United States trying to sign up long-term agreements, trying to bribe people. Trying to do all kinds of silly things in order to assure themselves of oil supplies. Some of the joint projects that were under way, especially utilizing gas, foundered because of the increase in prices. One was Transco, for instance, in the United States. It was going to be a major developer in the "C" structure down in the Persian Gulf. That had to back off.

*Q: Now I read that during the first energy crisis some of the Europeans were concerned that the U.S. might use its political clout to negotiate bilateral agreements with key Mid East oil sources, which would effectively preempt supplies that otherwise would have gone to Europe or Japan. Was there any discussion about bilateral agreements by the government?*

LEHFELDT: No, there was none. This was not in the American tradition. To my knowledge, if it was considered it was considered in the abstract in Washington—not as a reality. The Shah was quite willing to sign long-term agreements. But no, we preferred to let the market play.

*Q: Okay. Now, in the long-term Kissinger supported a policy of cooperation, the U.S. supported the development of the International Energy Authority to bring Western countries into a cooperative stance. This is 1974 also. Did State Department officials see the IEA as sort of the potential counter cartel to OPEC? Was it seen in that way, or—you said that you weren't involved in that at all.*

LEHFELDT: My involvement was minimal because by that time I was withdrawing from Iran. I left Iran in the summer of 1974, and went to Barcelona as Consul General. So that, you know, my involvement during the greater part of 1974 was simply not there. I did talk to a lot of oil people when I came back to Washington, before I went off to Spain and so on down the line. But I just don't recall any serious discussion of IE or whatever as being viewed as a counter poise to OPEC.

*Q: Okay. This might have occurred before then, I'm not sure. But I read that Robert McNamara and Hollis Chenery at the World Bank believed that the U.S. would fail, in any case, to get OPEC to lower prices and that instead the U.S. should encourage OPEC to organize the recycling of oil revenues to assist countries that could not pay for oil on their own.*

LEHFELDT: That's right.

*Q: Do you recall any discussion of this proposal?*

LEHFELDT: Oh yes! Well that was part and parcel of what I was doing. Yes. We pushed hard around the world for the oil countries to recycle their gains that they couldn't immediately use, into ways that would make it possible for the less fortunate countries to survive. The thought did not occur to the Shah until we pushed it on him. Then he took it as a, he made something out of it for his own grandeur. It was fine. I thought it was a great gesture.

*Q: Now I think one development that did occur before you'd left in the summer was, I think, at least the initiative to organize what was called the US-Iran Joint Economic Commission.*

LEHFELDT: Yes.

*Q: Did you do much work on the Commission before you'd left?*

LEHFELDT: No.

*Q: I think it was in April it was sort of, proposed.*

LEHFELDT: Yes. It was proposed, and we were studying what we were going to do, who was going to fund what, how much money the Iranians were gonna put up. But it was not a reality by the time I left. In the event the Iranians didn't want to put up any money. Unlike the Saudis. This was a, sort of a fashionable thing to do with all of the oil rich countries. We had a joint council with the Saudi Arabians, we had with Iran. I don't know whether we ever did one with Venezuela, but probably we did. And so on down the line.

*Q: What were the general purposes of the Commission?*

LEHFELDT: The general purposes were to discuss problem areas on an official level, and at the same time we organized the US-Iran Business Council as a private sector adjunct to the Joint Economic Council. I took part in that.

*Q: Later on?*

LEHFELDT: No—at the time, in the first meetings of that. Then when I came back as a businessman I took part in it from a business point of view. Walter Surrey, from Surrey and Morse, was very active. Hank Greenberg from AIG was very active—American International Group's insurance guy. The head of it was a guy from IOP—International Oil Pipelines or something or other. From Iowa, as I recall. [Edward L.] Hennessy from Allied Chemical.

*Q: To what extent was the Commission seen as a means to ensure that U.S. exporters got a large share of the market that would be developing as oil revenues increased?*

LEHFELDT: Well that was our aim, of course. To make sure that the American share of the market was either constant or increased, and to smooth out the methods for increasing

American involvement in the Iranian economy, and to help the Iranians export other things than oil to the United States. We met periodically. We got a few things done but nothing overly overwhelming.

*Q: Back to this oil thing on another aspect of it. Did Richard Helms meet with the Shah to discuss OPEC questions, periodically? expressing concern about price increases?*

LEHFELDT: Well I can't say that—I don't know that he expressed concern about price increases. It was the other aspects of it, the recycling and so on, that were necessary to be discussed. And the military supply, which was overwhelming. He was willing to sell us, for instance, oil for our strategic reserves. But at a price, and he wanted a long-term agreement. Which we weren't willing to sign.

*Q: When you were a businessman in Iran in the late 1970s—well I'll get to this later on.*

I'd like to go back a few years earlier, to Nixon's visit to Iran in 1972 on his way back from the Moscow Summit. Was the embassy given much advanced notice about this visit by the President and Secretary Kissinger?

LEHFELDT: No, not really a lot. We knew about it. We knew it was in the cards, because naturally any presidential visit requires a great deal of security being laid on and so on down the line. But our participation, other than the ambassador and the security people, was very minimal. We had all the troops from Washington there—all the press.

*Q: You didn't get any real sense at the time of Nixon's or Kissinger's purposes in visiting the Shah?*

LEHFELDT: No, none whatever. None whatever. The purpose was just as stated, to brief him on the results of his summit in the Soviet Union, and it was a great builder for the Shah's ego. But apart from that we had no sense that that was when they were going to anoint him as the savior of the Middle East.

*Q: There was no discussion about that at that time?*

LEHFELDT: No. It came out later.

*Q: It did filter down, the decision?*

LEHFELDT: But you see, Helms wasn't there then.

*Q: Farland was there?*

LEHFELDT: Farland was there. It was quite a different can of worms. Because he'd only been there a couple of weeks.

*Q: Was Farland present at the meetings with the Shah and Kissinger and Nixon?*

LEHFELDT: I doubt it. Seriously. He may have been.

*Q: You don't know who was?*

LEHFELDT: No. Because Nixon and Kissinger were staying at the palace. They could have met any time, anywhere.

*Q: They were in the stratosphere, yes. Now the policy, though, did filter down.*

LEHFELDT: Yes. Rather soon as a matter of fact because the Iranians, the Shah himself was very proud of the whole thing and wanted it known that he was a chosen instrument.

*Q: This was confirmed by cables from Washington eventually?*

LEHFELDT: Over time, yes.

*Q: You got a sense of the arms sales approach that was discussed at the same time?*

LEHFELDT: Yes, because that was when Henry Kearns and I were discussing how we were going to use a billion dollars worth of Ex-Im money, or something of that sort.

*Q: Henry Kearns was the head of the bank?*

LEHFELDT: He was the head of the Ex-Im Bank.

*Q: Okay. The idea being that the Shah could use the money as he pleased?*

LEHFELDT: Yes, pretty much.

*Q: Was this a big departure from previous policy and practice?*

LEHFELDT: Oh absolutely. We had been very chary, very cautious, about the kinds of things and the amount of money that we thought the Shah should spend on his military. Suddenly to be able to say, “Well here's a half a billion or a billion. Let's get our military together and decide how we're gonna spend it,” was essentially the way it was approached. Not on what they could usefully absorb. It was a real departure. General Twitchell was head of MAAG. His every effort was to make sure that whatever it was the Iranian military got, they were prepared to absorb and use before they got it.

*Q: Without any waste?*

LEHFELDT: Without any waste. With as little waste as possible. That flip-flopped the whole policy.

*Q: But up through May 1972 that was the practice?*

LEHFELDT: That was the practice, right.

*Q: Did you know, at that time, if there'd been any inter-agency discussion in Washington of this whole issue? Was it debated, the pros and cons?*

LEHFELDT: No. I have no knowledge of that.

*Q: I have some questions about—this is covering relations, other than oil, during this period.*

Now I've read—and I don't know how true this is—that beginning in the late 1960s U.S. banks began to move heavily into Iran.

LEHFELDT: Yes, that's true. When you say heavily—I mean there's a considerable presence. Citibank, for instance, was a partner with Hassan Ali Ebtehaj in the Iranians Bank. David Rockefeller in Chase and Mannie Hannie and Chemical and Irving Trust, Bankers Trust, Pacific Security—you name the lot of them. Mellon Bank, Bank of America, Wells Fargo. They all had people either stationed in Tehran or in Lebanon, or coming through often. Because when the Central Bank floated a loan—100 million here, or forty million there, whatever—it was by and large syndicated, and all of these banks took part in it. One of the closest advisers to Mehdi Samil, for instance, in those days at the Central Bank was Minos Zabanakis, who was at that time with Manufacturers Hanover and later with the First Bank of Boston. I think it was First Bank of Boston.

*Q: As these banks were setting up offices and so forth, did they consult with the embassy when they made their plans, or planned major investments?*

LEHFELDT: Well [laughs], they came and talked to us about the general economic fundamentals. They came and talked about who was who in the banking business, who was trustworthy, who was not. Once in a while they would come and talk to us about whether or not they should fund a particular investment or not. But, by and large they made their own decisions.

*Q: They just wanted information.*

LEHFELDT: They just wanted information, right.

*Q: Now apparently Citibank and Chase had a very competitive relationship in Iran?*

LEHFELDT: Yes.

*Q: Did this cause any problems?*

LEHFELDT: No.

*Q: Because I'd read that the Central Bank complained about Citibank's practices and that Citibank had to withdraw some of its people at some point.*

LEHFELDT: Yes. Well, they got a little aggressive. They were moving into areas where the Iranians didn't feel they should move. Yes, they did withdraw one fellow—I can't remember his name off-hand. That was part of Ebtehaj's operation. Citibank was trying to use the Ebtehaj connection for whatever it was worth.

*Q: Were there any visits by David Rockefeller to Iran while you were there?*

LEHFELDT: Yes. Well among other things Chase bank was known as the Shah's bank.

*Q: His personal bank?*

LEHFELDT: Yes. Although Bankers Trust did a lot of imperial family business. Chase would lead the Consortium on occasion when major lending operations were put together. But they did have a small piece of the Industrial Mining and Development Bank, along with Continental Illinois, I think it was. Then later on these several banks started private banks in association with other American banks. But by 1974 the only full blown joint venture was the Iranians Bank.

*Q: The Citibank thing?*

LEHFELDT: Yes.

*Q: When Rockefeller came to Iran did he stop by the embassy and meet with people, or is it more complicated than that?*

LEHFELDT: Well, sometimes yes. The ambassador would have a party for David. But more often the Shah would have a party for David and the ambassador would be present. Or, when we had the big financial conference there in 1972, led by David Rockefeller—and all kinds of other businessmen. Don[ald] Regan was there from Merrill Lynch. Bob Abboud and so on. It was an all star cast! Whenever David came to town, he had audiences with the Shah on a regular basis.

*Q: To what extent was the embassy's function sort of to encourage investment?*

LEHFELDT: Well, I considered that to be one of my functions. My major function, however, was to try to find sales for—my staff was trying to help American business find sales, and partners. Or to collect, as the case may be. It's strange but you got the feeling that American business wasn't all that interested in investments. They were interested in financing investment with local resources and then carrying the profits home. I became a little disenchanted with some of my stalwart American risk-taking businessmen.

*Q: They wanted joint ventures.*

LEHFELDT: They wanted joint ventures but locally financed, and make their participation comprise of the technology and some very expensive American talent and so forth and so on. Didn't work. The Brits and the Japanese and the Germans were willing to do other things.

*Q: In general though, I guess you had talked about this big bankers conference in 1972. Was it a sense that it was to be growing national income that would make investments and loans more likely and possible?*

LEHFELDT: Exactly. The purpose of the conference was to introduce a lot of American businessmen to Iran who had never been there before. The Iranians really put on a great show.

*Q: The embassy helped set it up?*

LEHFELDT: The embassy worked on it, but it was set up by the Iranians themselves at the initiative of David Rockefeller.

*Q: What kind of problems did U.S. companies have in doing business in Iran in this period?*

LEHFELDT: Well, corruption was always a problem. Who to pay off? There were people with their hands out all the time. It reached up into the royal family. More often than not.

Finding the right partner with the right degree of expertise and a certain amount of sophistication, financially as well as technically, was really one of the greatest problems. Financial resources was a real problem too.

*Q: I think we better stop for now.*

LEHFELDT: Yes.

*Q: What was your assessment of general Iranian economic conditions during the late sixties and early seventies, before the oil price explosion?*

LEHFELDT: Well, there were some inequalities in the economy and certainly some leads and lags in terms of development, but in general, I felt very comfortable that there was a good solid team of economic technocrats, good technocrats, managing the economy and allocating resources in a rational way, insofar as it was possible in a somewhat erratic

environment. Given the enthusiasms of the Shah and so forth, it was difficult to keep up with him sometimes.

But as one of the leftovers from the AID days, we had, during the first two years of my stay in Iran, the so-called annual review with the Prime Minister and the American Ambassador and whoever was allegedly running what was the AID mission at that time. And I took part in the last two in the fall of '69 and in the fall of '70, between Ambassador MacArthur [Douglas] and Prime Minister Hoveyda [Amir Abbas]. And Mehdi Sammi, who was then the head of the Plan Organization.

They were not thorough-going reviews of the economy, but they did focus on the main thrust of the government's investment policies, the main thrust of their use of their foreign exchange, and were to some degree at least the basis for the justification of providing Export-Import Bank loans for arms procurement at the time, because that was run through the Export-Import Bank at the time.

And so they were useful, but not very exhaustive and certainly not very profound examinations. But those annual reviews enforced a discipline—or seemed to enforce some sort of discipline—on the Iranian economic managers.

*Q: The Central Bank?*

LEHFELDT: The Central Bank, the Plan Organization and so forth. Those ended sort of by mutual consent, because the Prime Minister and the Shah thought once there was no AID mission any more and there's no AID program, why the hell should we permit this unwarranted intervention in our internal affairs.

But nonetheless, until about 1973, '74, when the oil prices started going up, this team of technocrats did quite a credible job of allocation of resources. And by the time I left, although the team had been disbanded to some degree and politicians were in place—

when I left in '74, the politicians were in place—nonetheless the general direction of the economy was still good.

*Q: You thought it was developing along healthy lines?*

LEHFELDT: Reasonably healthy. In the agricultural field there was absolute chaos, because they were moving into so-called agro-business and industrial agriculture and so on and literally screwing the small farmers. Prices were not permitted to rise at the farm level.

*Q: There were price controls, weren't there?*

LEHFELDT: There were price controls, both to the producer and to the consumer, and they filled the gap, because naturally there wasn't any production coming in from the farms —or not very much at any rate. But they filled the gap with imports.

*Q: What kind of impact did the land reform program have? Was it a positive impact, by and large, or were there some negatives?*

LEHFELDT: Kind of hard to say, because without the freeing up an agricultural economy, land reform itself became a political act rather than an economic act, and it was political in large part and did break up a lot of large land-holdings and certainly there were a lot of small farmers who benefited from it in terms of gaining title to their land. But many of them were forced into farm cooperatives.

*Q: Corporation farming?*

LEHFELDT: Farm corporations. Cooperatives. But they operated in the same way. And, of course, they had mixed experience with them. Some were showcases. The government poured lots of money into them and so forth and so on. And there was one outside of

Persepolis that every foreign diplomat and statesman had to go visit. I'm sure they paid everybody to be there.

You know, land reform was one of the touted accomplishments of the White Revolution, so-called, and when I first got there in '69, the romance of it was still alive. But by 1974 such early supporters and admirers of land reform as Ann Lampton, a British scholar, had turned a hundred and eighty degrees around and were quite critical of the implementation of land reform.

*Q: Were there experts at the U.S. Embassy that sort of monitored the program?*

LEHFELDT: No.

*Q: Or people in USAID?*

LEHFELDT: Well, AID, you see closed up before I got there. John Westberg, who was a lawyer, was the last one there. So there was no AID program to speak of.

*Q: So there was no U.S. technical assistance at this point for any of these programs?*

LEHFELDT: No. Except in a couple of technical things, the Regional Pulse Improvement Program, stuff like that. But nothing...

*Q: a lot of secondary accounts from various writers, who have written about Iran in the seventies and sixties, have argued that the Pahlavi family and its associates distorted the economy through their control of the banking system with their political influence. It was from this allocation of credit and financial resources, because of the Pahlavi family's influence in certain respects. How much evidence did you see of that when you were there?*

LEHFELDT: Well, the Pahlavi's direct influence on the direction of loans, no. There was not that much. Certainly some of the institutions, as Bank Omran, which was an arm,

as I recall of the Pahlavi Foundation, and it was used to finance and rule the PL 480 program, for instance, and there was a lot of money rubbed off there. But in terms of running the banking institutions for the benefit of the Pahlavi family, I don't think that's a sustainable charge. There were enough opportunities for the Pahlavi family members to become partners in profitable businesses without distorting the banking system. I'm not saying that they were not active in banks on occasion, but it was not a publicly evident activity. Ashraf's first husband—I can't think of his name right now, but a very distinguished gentleman—was the head of a bank, but that was after he was her husband.

*Q: This is the Shah's sister?*

LEHFELDT: Right. The Shah's twin.

*Q: I have some questions on the economic assets of arms sales. Did the Embassy's commercial and economic staff play much of a role in arms sales matters?*

LEHFELDT: Not really, except in the sense that we were called upon to provide the analysis of the economy.

*Q: Mostly annual review?*

LEHFELDT: Both for the annual review and for just general economic analysis of the economy for the purposes of the U.S. government generally. We put out a six month semi-annual review that was published, an unclassified thing. And we were usually called upon to draft the economic justification for arms credits, and, you know, we made our points at that time, when it came to use of foreign exchange. We had lots of rules of thumb in those days, about how much foreign exchange earnings, the percentage of foreign exchange earnings one should devote to servicing loans, foreign loans. And, of course, those rules of thumb have long since gone by the board all over the world, but generally speaking, in those days any country that was using more than twenty to twenty-three percent of

its foreign exchange earnings annually to service foreign debt was considered to be in trouble.

*Q: Much more than that?*

LEHFELDT: Oh, yes.

*Q: Now when you worked on these reports, did Armish-MAAG people scrutinize them?*

LEHFELDT: Yes. We provided them to—well, General Twitchell and his successors and predecessors were always provided with our analyses. That is not to say that they necessarily had much real effect on situations, because these arms recommendations were primarily political considerations. Although in General Twitchell's day, he had a very strong feeling that there was a finite sort of rate of absorption for rational use of foreign military equipment and upgraded military equipment that an Army such as Iran's could possibly use, and use effectively. His thesis at the time was that we had to try to fit what we were providing them with what they could rationally absorb. So the economic justification found a good friend in that approach to arms sales.

But the Shah, of course, was not persuaded. And on the political level, certainly President Nixon was not persuaded.

Now this is in the pre-oil price...

*Q: That's right. Before '73. Exactly. Did you ever run into an official named David Alne? From ISA?*

LEHFELDT: Well, yes, I ran into him, but he had several—Dave Alne. Henry Kuss, who was one of his predecessors.

*Q: They all played a role in arms sales considerations?*

LEHFELDT: Yes, they all played a role. And I've forgotten who the latter ones were, but they took their advice from the Armish-MAAG missions. And after the oil price increases, of course, other considerations came in. What the Shah could afford to spend was—or what he wanted to spend, rather.

*Q: You came to the Embassy in '69. Was the Ex-Im Bank already playing a role in financing arms, arms sales?*

LEHFELDT: Yes. Yes. Arms and others.

*Q: Did any people from the Bank come to discuss...*

LEHFELDT: Well, Henry Kearns would come out quite often, every year or so. Well, almost every year. And other bank officers would come out to assess the economy and talk to different people. And the World Bank always had its people out there too, looking around and assessing the economy, and those analyses fed back into the U.S. system as well.

*Q: When it came to negotiations over, say, the interest rates, would your office take part in those?*

LEHFELDT: No, the interest rates were out of our province. No, that's a function of domestic U.S. policy as much as anything else.

*Q: Now in 1971 the U.S. was running its first trade deficit, since, I guess, the 1890s. In the late 'sixties, early 'seventies, the U.S. aero-space industry was somewhat in the doldrums. To what extent did those kinds of considerations influence arms sales policy? From your vantage point in the Embassy? Were those things that were discussed as having a bearing on arms sales?*

LEHFELDT: Surely they had a bearing on arms sales, but not in that bald a depiction, because what we saw at that end was the competition between the various firms—the McDonnell Douglasses, the Northrops, the General Dynamics, the Grummans—for sales of a particular type of plane or system. There was one effort by Lockheed to sell—this was—well, I was still the Economic Counselor the C-5 to Iran, that would permit the reopening of the line for U.S. purposes. That was a slightly different focus, because the U.S. Air Force wanted some more C-5s, and in order to open the line, if the Government of Iran would pay for a good deal of it, yes, that would be helpful.

There was always the consideration that for every plane sold abroad, the average price of the planes, both to the foreign buyer and to the U.S. Air Force, would come down, because you were writing off the development cost over a time. And that was a consideration, but not a main one.

*Q: When you were in the Embassy, did you provide assistance to companies who were trying to sell particular weapons systems to the—or was that more a function of Armish-MAAG?*

LEHFELDT: That was more a function of the Politico-Military section (of the Embassy) and Armish-MAAG, but, yes, they usually came down to talk to me. When I say down—because my office was on the first floor as opposed to the Political Section on the second floor. They usually came and talked to me, generally about the economic scene and about who was doing what to whom, just generally, and this involved the question of who was a good representative. They would often times toss names at me to see how I would react. I tried to steer away from endorsing any of them. Some were better, more honorable, than others. Not all of them.

*Q: Could you give a sort of indication as to who would be more reliable? Or you couldn't do that?*

LEHFELDT: No, I really couldn't do that. All I could do was—and I tried not—well, I avoided making recommendations about anybody. If they asked me about somebody, yes, I would say what I knew about them, how acceptable they were up in the Palace and what their general reputation for probity was in the business community. I had a little lecture about you have to decide for yourself whether you think you need that kind of representation or not. If you think you have a proposition that is saleable on its own and needs no personal representation or enhancement, then by all means avoid it. If they want it bad enough, they'll buy it. But if you are out there selling snake oil, why then you decide accordingly.

*Q: You're talking about arranging intermediaries between the companies and the government?*

LEHFELDT: Yes. The present-day Albert Hakims, the Khashogis, the Abdol Fath Mahvis, and the Khayamis, and the Hindujas and so on down the line.

*Q: So the people who were operating at this time...*

LEHFELDT: Oh, they were operating in those days.

*Q: So you could basically provide information to the firms? Could you go beyond that? What other kinds of assistance could you give them besides information as to who the...*

LEHFELDT: You know, I had a slightly different view of my role in assisting U.S. business than some of my more timid colleagues in the Foreign Service. I felt that I was there to be helpful to them and I wasn't there to play mother hen to all American companies and try to—if one came to me for help and nobody else did, I would give that one who asked me help. But if, say, General Electric and Westinghouse and Combustion Engineering all came to me for help, I would give them all equal help, but that didn't mean that I had to go—if only one of them came to me, I had to go, say, to the other two and say, “Hey, General Electric is after this and I'm going to help them and I'll be glad to help you too.” That's not

the way you play the game. Some companies felt the need for help and some didn't, and I take the view that those who ask for help deserve it.

So I would make appointments, I would send people along with them to help interpret, if they had that problem. I did a lot of things that were not in the ordinary run of services that Economic Counselors used to provide. I guess commercial attach#s do more so now than they used to, but I still get—I have complaints myself. [Laughs]

*Q: Also in the present-day experience?*

LEHFELDT: Yes.

*Q: I guess there are certain limits that were placed on what could be done for a company? Were there limits?*

LEHFELDT: No, no. No. There are no legal limits whatever. Certainly there are some things you couldn't do, but if the Ambassador was willing, you could have him entertain some people with and for the businessmen.

*Q: That happened, I'm sure.*

LEHFELDT: That happened. The British Ambassador used to do it all the time. He gave a party once, when they were selling the 1011, the Lockheed 1011, because it had Rolls Royce engines as an option on it. And he gave a big party—a reception at the Embassy for the businessmen and the military and what not, and Iran Air, who were going to buy it, as part of the support for British industry, but also supporting American industry.

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*Q: During our last meeting, you mentioned that—you went into the problem of corruption in Iranian political and business circles, and sometimes it reached to the top levels of the Pahlavi family. Many writers have discussed this problem and its implications for the way*

*American corporations did business in the country during the seventies. Now how common was it for U.S. companies to actually use corrupt methods to make sales in the country*

LEHFELDT: Well, now let's back up a little minute. The term “corrupt methods” is a misunderstanding of how you do business, not only in Iran, but all over the Middle East and in other parts of the world. We have a very puritanical view of the world, but when you do business in the Middle East, you do business their way. And traditionally, for thousands of years—I'm exaggerating a little bit—but the closer to the throne you got, the richer you were supposed to be. Or the closer to the throne you were, the richer you were supposed to get. It was just, you know, a fact of life in Iranian and other milieus that if you were going to get something done, you had to pay for the services.

Now, viewed in that sense, it is not corruption. When the payments become exaggerated and the services are of dubious value, then that is corrupting the system, but it's still not necessarily corruption in the given atmosphere.

So that, yes, there were companies back in the sixties and seventies who used well-known intermediaries, some of them members of the royal family and some of them not, all of them close to the throne, to help get projects and contracts through. It was reasonably well known that Abdol-Fath Mahvi, for instance, was one of the premier ten or twenty or whatever percentage it was. Court Minister Alam's [Asadollah] daughters tried to play the game as well. My good friend, [Abul Mehdi] K. Kashfi was another one, who was pretty good at it. There were—I won't say—there were rather a large number of them with various degrees of entree into various portals. Now some of them were in the palace, some of them were in the Ministry of War, some of them were in the Ministry of Water and Power. It varied, depending on what the contract was.

That is not to say, however, that there was real venality. These were—I know, viewed in retrospect and viewed from the American point of view, sure, it's corrupt, it's bad business, it's uneconomic, it's all of these nasty things, but it was the way business was done. Now,

as we imposed over years our notions of public morality on other countries, including Iran, they took steps to try to comply with what they viewed as our requirements, but those requirements only apply to American businessmen. They didn't cover the French and the Germans and the Japanese and the British, with the result that we got left behind in many cases. Except in those areas where we either had something that nobody else had or, as in the military, the Shah, for political and other purposes, was equipping his military with American military equipment.

*Q: But in other areas you think there was a disadvantage?*

LEHFELDT: Oh, absolutely. Absolutely. Lead pipe cinch.

*Q: I assume that intermediaries were necessary?*

LEHFELDT: They were. Just as a statement of fact, they were necessary.

*Q: But payoffs would be another question entirely though, wouldn't they?*

LEHFELDT: What's a payoff? If you're going to pay a fifty per cent commission, yes, that's a payoff. But if it's a five percent commission, even if it's on a hundred million dollar deal—although companies as General Electric, for a hundred million dollar sale, the percentage of the commission is concomitantly reduced, but it still came out to maybe two million dollars, two and a half million dollars, which is a lot of money.

*Q: The two per cent, did that happen quite a bit that you know of, that kind of a...*

LEHFELDT: Well, for General Electric that percentage was—you know, they could pay as much as twelve per cent, but that's on small stuff. But when you got into a power project, a hundred million dollars or whatever it was, two per cent was a lot.

Now in some of these other companies—and I'm colored now by my latter-day experiences—certainly many of the non-American companies doing business were not as

careful in the percentages as some of the American companies, and thereby there was absolutely no way you could edge them out of a project, if they were there with both feet. Because they bought the information, no matter how careful you were. So they managed to underbid you by a slight amount.

*Q: Were any classes of U.S. firms more likely or thought it more necessary to rely upon, say, using payoffs to make sales that other kinds of firms? Were smaller firms more vulnerable perhaps than large corporations like GE?*

LEHFELDT: Well, you know, in large corporations what would pass for a large payoff in a small corporation was loose change in a way. For small corporations doing small business, the percentages were higher, but it was simply reflected in the sales price if it happened to be a consumer good.

Now, if you were in a joint venture, you could handle your problems by several ways. By dealing a percentage of participation with real investment, but—and maybe to a member of the royal family. But there was no notion by the royal family member, in some of the cases that I can recall, that they were going to take part in management. They were simply going to collect some profits and so on.

Now there were some Iranian businessmen—one notable one, Haji Tajhi Mohammad Barkhordar, who probably had the largest single fortune in Iran before the revolution—that is, outside the royal family—was very proud that he never had a member of the royal family as a partner in any of his businesses. He had maybe two hundred companies. He was a very important businessman.

Others felt compelled—felt no constraints, I guess, in accepting members of the royal family, through usual cutoffs, as members of the joint venture. And there were some areas of business—for instance, the importing of chickens—that were sort of handed over to hangers-on of the royal family. Madame Diba, the Empress's mother, was one of the biggest dealers—she didn't do it herself—in the importing of frozen and chilled chickens

into Iran for many years. One friend of ours decided it was a pretty good business and he started to try to import, and he ran into more difficulties. He had more Customs problems. He had trucking problems. He had distribution problems. He had breakdowns in his cold storage. And finally someone wised him up. This was Madame Diba's terrain he was trampling on.

*Q: I think, from time to time, the Shah had sort of crackdowns on companies that relied upon payoffs and so forth to make sales. So that became notorious. There was a Grumman case and a Lockheed case.*

LEHFELDT: Now wait a minute. Lockheed, there was no payoff.

*Q: No, no, Northrop, I mean. I'm sorry.*

LEHFELDT: Lockheed, my good friend, Z and, kept them from any trouble.

*Q: I meant Northrop. But I get that name mixed up sometimes.*

LEHFELDT: But Northrop was not on airplanes. It was a Page Communications, a national telecommunications system.

*Q: Now what are the things that the Embassy could do that would help these companies out? Did they come to the Embassy for help?*

LEHFELDT: I didn't know about that. We always suspected, because Prince Shahram, Ashraf's son, was part of their coterie, and so we always suspected that he had been the intermediary for helping Tom Jones get the project. But it wasn't until it all came out later...

*Q: '76 I guess it was it came out. '75 or '76?*

LEHFELDT: No, it came out before then, because the vice-president of Northrop, Jeff Kitchen, had to leave before then. I had dinner with him last night, as a matter of fact. And he got a golden handshake from Northrop, but he had to take the rap.

But again, looked at in retrospect, and we overlay our moral puritanism on top of it, it made it all look wrong, because they wanted to make it look wrong. A group of—and I may have told you this last time—a group of young Iranian friends of the Prime Minister—he would get them together in a dohre every month or so, and they were made up of—some of them the young technocrats I was talking about, some of them representatives of very powerful families.

*Q: Was this Hoveyda [Prime Minister]?*

LEHFELDT: Hoveyda, right. There was eight or ten of them. They would get together for lunch or drinks or whatever. And at one point, because the Shah was on this anti-corruption kick, they put together and started collecting—and for six months or so put together dossiers of cases of corruption that they knew about and could document to some degree. And it became—as I am told, I never saw it myself—a rather sizable piece of work. And they delivered it up to the Shah and he looked over it and he said, “My God, if I have to get rid of all of these people, I will have no one left to run the economy.” With that, they took it all out and burned it, I'm told.

Now I know it happened. Whether it happened in exactly those terms, I'm not sure.

*Q: The Rashidian brothers? Were they ever involved as representatives?*

LEHFELDT: Well, Rashidians—yes, he ran something called—I was trying to think of his name. There were three of them, but one of them in particular—ran something called the Distributors Credit Bank, which funded all the taxis in town, the taxi cooperatives. And, of course, the Rashidians were instrumental in the '53 riots, and they went back a long ways

with the British Intelligence Service. Yes, they were widely rumored to be involved, but they went broke. Or one of them did, as I recall.

*Q: You mean involved with company representatives or intermediaries?*

LEHFELDT: Yes, but he never represented the big ones. I went over there, to their house, shortly after I arrived, and General Griswold, I guess, who was head of the International Bank of Washington—still is, as a matter of fact, was their guest, and he was thinking of buying into the Distributors Credit Bank. It didn't get through the Central Bank. It didn't warrant approval, because the Distributors Credit Bank was in such perilous condition.

*Q: Recently I saw a letter that would be classified, by Douglas Heck to Jack Miklos, November '72, and he mentions the sale by Bell of Texas to the helicopter industry, a sale of helicopters to Iran, and he goes on to say that this was beginning to—this was a boon to Bell Helicopter, to Bell of Texas, and to various influential people on the Washington scene. Perhaps we can get an Iran lobby going. Was there any talk about an Iran lobby?*

LEHFELDT: I think there was, sure. Of course, this was in the early days, November of '72, before real money started coming in.

I see why you've mentioned Dave Alne. Fascinating. I never saw this letter.

Yes, at the time we—I understand what his direction was. We were always concerned that the Shah was getting bad press at home. And he did. And, of course, he brought it on himself, because 1972, as I recall, was about the time when the twenty-five hundredth—we were getting close to the twenty-five hundredth anniversary celebration. Or did we just have it?

*Q: I think it was in '71.*

LEHFELDT: '71. Well, we just had it.

*Q: The fall of '71.*

LEHFELDT: Yes, that's right. It was the fall of '71. And he got a lot of bad press. Spending millions and millions of dollars down in the middle of the desert for something that no Iranian was going to see. And so on down the line.

By that time President Nixon had pretty much decided that Iran was going to be our strong ally in the Middle East and we were going to rely on them to keep the peace, with the British having moved out, and the Nixon Doctrine, so-called—I've forgotten whether it had been enunciated just before that or just after that, but about that time.

*Q: Actually that was back in '69 in Guam. ...Guam and articulated the idea.*

LEHFELDT: Yes. We would provide them with the arms, but they would do our dirty work for us. Or whatever you call it. And we had chosen the Shah as our instrument. So we had the need for trying to see whether we could get better press for him. They spent a lot of money on it, but without much real...

*Q: Who's they?*

LEHFELDT: The Iranian government.

*Q: Trying to influence the U.S. press generally?*

LEHFELDT: Yes. They had some P.R. advisers. I've forgotten who they were at the time.

*Q: U.S. P.R. firms?*

LEHFELDT: Yes. Some of the Bobby Grays of the time.

*Q: This same letter also mentions something called Operation Enhance Plus, which I hadn't heard of before.*

LEHFELDT: That was a military...

*Q: I'm sure it was, but...*

LEHFELDT: I was not involved.

*Q: Now when you were at the Embassy, you drew up contracts with the local U.S. Chamber of Commerce? They had an organization there?*

LEHFELDT: Well, I was instrumental in getting them started.

*Q: When you were at the Embassy?*

LEHFELDT: Yes. Sure.

*Q: What is the story behind that?*

LEHFELDT: Well...you know, the story behind it, let me see. We had the American Businessmen's Association or something or other. I've forgotten exactly what it was called. And it met sporadically. But we felt the need to find a way to help influence the Iranian authorities on issues that were helpful to American business being more active in Iran. And the dates get all jumbled up, but with the big conference that Jim Linen led in...

*Q: Oh, the Rockefeller...?*

LEHFELDT: The Rockefeller Conference. When was that?

*Q: 1970? Linen was with TIME-LIFE?*

LEHFELDT: He was with TIME-LIFE, but he was retired by then. He was spending his time setting up this sort of thing.

We tried to establish a chapter of the American Chambers of Commerce abroad in Iran. We succeeded somewhere along about this time. Because somewhere along about this time also Henry Kissinger hit on the idea of a joint U.S.—whatever it was—Economic Council.

*Q: Commission.*

LEHFELDT: Commission, yes. And we wanted to have a role in the U.S.-Iran Business Council, which was usually associated with these commissions. And so we got the Chamber established finally, with the help of John Caldwell, who was the Vice-President and Director of International Affairs for the U.S. Chamber. And we created the U.S.-Iran Chamber of Commerce. I, as the Embassy economic wallah, was an honorary member or ex-officio member, and I was as instrumental in getting that going as anybody. I kept pushing and hosting these people and so forth and so on.

*Q: This was in '71 or '72?*

LEHFELDT: Yes, something in that order. And the Chamber grew by leaps and bounds. Of course we had Iranian members as well, representing American firms or doing business in the United States. Plenty of them represented American firms. And we had Iranians on the board. We had people like Rahim Irvani and Ahmed Ladjevardi and—oh, I don't know, a couple of others. And we had periodic meetings with the Ambassador, and it was a useful P.R. and maybe even an informational thing.

On the other side, it gave our Iranian associates a method for getting news critical of policy through to Iranian authorities without the Iranian businessman having to take the onus for being critical of the government.

*Q: In terms of policies that had impact on American investment and trade?*

LEHFELDT: Yes. And their own ease in doing business. And as days went by and as the wild days of the later seventies came along, they were more and more critical of their government's policies.

*Q: Which we'll get to later on. Who was the president, the first president, of the Chamber?*

LEHFELDT: The first president was John Formel.

*Q: Of which company?*

LEHFELDT: Goodrich. He was out of Chicago. He is now retired and is caretaker for a golf course, among other things at this point.

*Q: But the members of the Chamber would meet from time to time with the Ambassador?*

LEHFELDT: Oh, yes. Not the whole membership, but we had monthly luncheons and the Board of Directors would meet with the Ambassador. This is a practice followed all over the world in some form or another.

*Q: And they'd meet with Iranian government officials also?*

LEHFELDT: On occasion, yes. Especially with the Minister of Commerce and the Minister of Economy. Sometimes the Minister of Finance. Jamshid Amuzegar liked to meet with people like that.

*Q: Why was that?*

LEHFELDT: I don't know. He just had a taste for it.

*Q: After oil prices started skyrocketing in late “73, arms purchases began to expand at a pretty phenomenal rate in the following couple years.*

LEHFELDT: Yes.

*Q: Did anybody in the Embassy or Washington sit down and try to think through the cost implications of massive arms transfers to Iran?*

LEHFELDT: Yes, a lot of people did. The view at the time in the Embassy—and, of course, I left in the summer of '74, so I can't speak for much beyond that time.

But clearly the Shah had the bit in his teeth. I'll carry on exactly where I left off, I hope. And he was bound and determined he was going to get whatever he wanted. And I will say this. I've talked about this with Ambassador Helms afterwards, in the vein that while he and I can be faulted for not cautioning the Shah to go a little more slowly, and he said, “Bill, there was absolutely no way you could have hung on to his coat-tails. He was flying high. There was no way you could tell him it was going to be bad for them.”

And certain it is that when I came back to Iran in late '75, the atmosphere and the general euphoria that was present then was so vastly different from the first years of my stay in Iran, where you were making use of everything. By '74, when I left, it was just absolutely No Holds Barred. The sky was the limit. We had money for everything. If we needed more money, we just raised the oil prices and the world would pay, and so on down the line. Of course, they know better now, but...

*Q: Given the fact that Nixon had more or less decided to give the Shah a free entree into the American market, would there have been any kind of business that had even looked closely at the questions, the implications of the policy?*

LEHFELDT: Well, surely there were people who were concerned about this, seriously concerned about it. But their objections were overridden all the time. You know, just putting it back in context of '73 and '74, the administration at the time was so heavily burned by Watergate and the Agnew episode that it's a wonder they paid much attention to Iran and its arms purchases at all, except just to sign the authorization. Which is

essentially what happened almost, although I have to give General Brett and some of the others their due. They tried. They may not have tried hard enough, and there was no way they would have been successful, in any case.

Everybody was coming through with something to sell and everybody was buying. That was the trouble.

*Q: Do you remember some of the names of some of the officials at the Embassy or the State Department, who were sort of concerned about the economic implications, or who cautioned...?*

LEHFELDT: Well, Henry Precht was certainly one of them. And John Rouse.

*Q: This was the early seventies?*

LEHFELDT: Yes, in the seventies. After '74 I can't really say who was concerned about it. We all were. And certainly the American business community was, to a degree. To the degree that those who weren't representing American military equipment manufacturers.

*Q: But they were very commercial? So the commercial men were more sensitive to the problem?*

LEHFELDT: Yes. Yes. Because it was detracting from their abilities to do sensible business.

*Q: Did you get the sense at all, first-hand or from what you've heard in the rumor-mill, that people like Henry Kissinger might have been concerned about the implications of the decision? In retrospect.*

LEHFELDT: No. I've never really had the feeling that Henry Kissinger understood the implications of this, the economic implications of that political decision. Indeed—well,

again, however, George Shultz was the Secretary of the Treasury at the time. I remember when the President came out—in May of '72, was it, after going to...

*Q: To the Summit.*

LEHFELDT: After the Summit. Shultz was there. Volcker [Paul] was there. You know, all the economic wallahs were there. And if there was concern expressed and if there was any real effort to put that concern into concrete action, it certainly wasn't then.

*Q: Now were you in Tehran when—besides the May '72 visit—when you were in Tehran as an Embassy official, can you recall there were occasions when Kissinger visited Iran?*

LEHFELDT: I was trying to think when Kissinger visited. I don't recall that Kissinger had any independent visits apart from the President, did he?

*Q: I'm not sure.*

LEHFELDT: I don't think he did. We had John Irwin through on the oil negotiations. Elliot Richardson came through at one point. But I don't remember Kissinger...

*Q: Besides the May '72?*

LEHFELDT: Besides the May '72.

*Q: There might have been one after you had left. I think there was in the fall of '74.*

LEHFELDT: There may well have been.

*Q: With the oil crisis issue coming up.*

Now what issue did the Shah and Kissinger agree upon at the May '72 meeting? There was a question of CIA covert aid to the Kurds, who were operating against the government

of Iraq in '72 and the following couple of years. How much about that operation did you know at the time?

LEHFELDT: Nothing. That was later on. Absolutely nothing at the time. Everything I know I sort of picked up.

*Q: Subsequently?*

LEHFELDT: Subsequently. No, that sort of thing was not vouchsafed to us mere mortals. Even though ofttimes during that period I was serving as DCM [Deputy Chief of Mission], but I was still carefully circumscribed from much of the sensitive operation. As I should have been. I had no need to know about that. I knew about a number of other things, but that was neither here nor there.

*Q: Now, through the sixties and seventies the CIA and the National Security Agency had listening posts that were stationed in northern Iran, so they could monitor Soviet missile tests and such. I guess they went back to the sixties, early sixties perhaps. Maybe even earlier, I'm not sure. Maybe the fifties.*

LEHFELDT: But the real technological breakthrough was later on.

*Q: Was the existence of these listening posts pretty much general knowledge at the Embassy?*

LEHFELDT: Pretty much, yes. Indeed we had listening sort of antenna there at the Embassy. It wasn't just for our own—we had our own little bubble in the back yard.

*Q: What was that for? Just for communications or what?*

LEHFELDT: Well, for communications, and I suspect—I never really knew, but I suspect it was for more than just our communications. I don't know that that was true.

*Q: Just a surmise, yes. Now did the existence of these posts give the Shah much leverage with the U.S., the fact that the U.S. seemed to need them for its [crosstalk}*

LEHFELDT: As I understand it, it was as much a source of titillation to him as it was a source of real intelligence important to us, because we shared stuff with him that we got from there. Whether we shared all of it, I don't know. I had no reason to know. But the Chief of Station found it easier ofttimes to see the Shah than the American Ambassador sometimes.

*Q: I somehow had the feeling that maybe these stations gave the Shah some leverage in terms of, you have these stations here, therefore you can't push us too much about oil prices—that's pushing it too far?*

LEHFELDT: Yes, I wouldn't push that very far, because it was mutual. A mutual need and a mutual desire and mutual benefit. That's my view of it. Other people may have other views.

*Q: Were these mostly major CIA intelligence operations in Iran at this time?*

LEHFELDT: As I understood it at the time and better now, we pretty much limited ourselves to so-called tech-int in the latter days. Technological intelligence rather than real, individual intelligence. But whether that's literally true, I don't know.

*Q: Now, I read that North American Rockwell had a plan for a series of listening posts that were called the IBEX projects.*

LEHFELDT: Yes.

*Q: That became notorious in the mid-seventies. There was a lot of controversy over it. I guess some Iranians believed they were designed to be a listening post for internal intelligence.*

LEHFELDT: That's right. It was internal control rather than external.

*Q: Was there much truth to that?*

LEHFELDT: I don't know. I really don't know. Again that was a program that I had nothing —no intimate knowledge of.

*Q: I guess the Shah believed that the system was a dud for some reason, that it wouldn't work at all. That's what I read in this book by Anthony Sampson. And he believed the Pentagon had deceived him about the capabilities of the IBEX program. But you didn't know much about that controversy at all at that time?*

LEHFELDT: No.

*Q: Now I've read that when Richard Helms was appointed Ambassador, that Tehran became his command center for CIA operations in the Middle East generally. Would this appointment have that kind of significance?*

LEHFELDT: Without going too far into it, I had several agents under MY cover in the Economics Section, and they performed real work for me. And ofttimes they would come and say, well, I'm going to be out of town the next week or ten days, and I never knew where they were going. I knew they were going abroad. But this happened before Helms came and it happened after Helms came. There was no material difference.

*Q: That's interesting. Now by the time you were assigned to Iran, the Shah had developed a fairly elaborate internal security system, that pretty effectively, from what I could tell, suppressed overt political dissent in the country to a great extent.*

LEHFELDT: Yes.

*Q: It was on many accounts responsible for human rights violations in the country during the seventies and early years. Now to what extent did U.S. policy-makers and officials*

*of the Embassy generally believe that some form of absolutism or royal dictatorship was necessary for Iran at that time?*

LEHFELDT: Well, I think again it's in the same class of attitudes as the American attitude towards corruption. You know, you put a different twist on and you look at it differently. You put a different twist on absolutism in the Middle East. Not just the Middle East, but in a lot of other countries. It's been the pattern for thousands of years. The pyramidal system, the guy on top in Iran, has been the way it's operated, if it's operated successfully, since the dawn of time in Iran practically. Where you had a diffusion of power is when it fell apart, and the attempts to change an absolute monarch into a democrat usually failed, and if you look at it from that historical point of view rather than from our own moralistic, democratic point of view, you can see why Iran fell apart in '78 and '79. When you take the pressure off and allow a thousand flowers to bloom, as Mao [Zedong] found out, all you have is a real mare's nest.

And so periodic efforts by the Shah to satisfy his foreign critics on both human rights and democratization questions led to unfortunate experiences, which he and his father before him—and his Qjar predecessors before him—felt constrained to lop off as they grew.

But the times caught up with him. I remember Khodadad Farmanfarmayan, who was then head of the Plan Organization, told me one day—I've forgotten who I brought in to see him, Senator Hatfield or someone like that—but this has stuck in my mind. He says, “You know, talking about—” I guess I forgot whether this was the Fifth Plan or the Sixth Plan. “At the beginning of the Fifth Plan, maybe fifty per cent of the population was within reach of a radio. By the end of the Fifth Plan, or the Sixth Plan, ninety-nine per cent of the population will be within reach of a radio, and maybe eighty per cent will be within reach of a television.” Now put that sort of stream of communication into a great unknowing and unschooled and unlettered and unaware population, at the same time you have other pressures for democratization, you have let loose an awful lot of feelings.

That was one of the things that struck me in 1978, towards the end of the revolution, some of the things that were going out over National Iranian Television I believe were purposely put on to irritate and outrage a very conservative Iranian population of viewers. There was one night in early December, I think it was, or late November, there was a straight Lesbian show in French, dubbed in Persian, with a great deal of nudity, female nudity. And, you know, that couldn't possibly have been just put on for entertainment. I'm sure it was done on purpose, to outrage the population, inflame them against the Shah and his people.

Now what I'm getting to is that—your original question, was there a lot of sentiment for this matter? You had to have an understanding of how things operated, and if you wanted to change them, you had to be prepared to live with the consequences of change. And this is what critics of Iran and other countries, including the Somozas, won't accept.

*Q: Say when people discuss the role of the SAVAK in Iran at the time, apparently they were charged with torture and so forth.*

LEHFELDT: Oh, absolutely.

*Q: Was there concern that this might be counter-productive in stabilizing for the long term?*

LEHFELDT: Of course. Of course.

*Q: Was that discussed?*

LEHFELDT: In retrospect—well, not only in retrospect, but at the time. Even as early as 1960 or '70, you know there was a whole class of the Polytechnique School who were exiled, the graduating class of Polytechnique School, which was relatively elite, because of some things that some of the students had done. These were intelligent, highly educated, sometimes well connected kids, who were overnight turned into opposition. And not just opposition, but smart opposition. I would suspect that if you went through the ranks of the Mujahideen in Iran, you would find a lot of these guys involved.

The control of the intelligentsia was another area and the attempts to control the Masons allegedly. The widespread rumor was that the Shah was one of the senior Masons, the head of the Masonic Order in Iran.

*Q: I never heard that.*

LEHFELDT: Oh, when you dig into Masonry in Iran, you've got another funny sort of—maybe not funny, tragic in a way, because there were a lot of them who were Masons. Scottish Rite.

*Q: Through this period though, when you looked at the political situation generally, how firm a political base, in terms of positive political support, do you think at that time that the Shah enjoyed in the country?*

LEHFELDT: Well, again, put it in the context of the system of government that they were used to. That he was loved was dubious. That he was respected as a strong man, whose will you crossed only at great peril, which was the traditional view of an Emperor, of a Shah, and how the Shah viewed himself, viewed his own role, as being necessary, then—yes, he was respected. Loved, no. And this was the mistake that Empress Farah made. She thought she was loved, when she was only respected because of the power that she shared or she reflected from her husband.

In the last days, when the earthquake at Tabal took place, in the fall of '78, and the Empress rushed over to comfort the populace, she was reviled. And she retreated in great disarray. She couldn't understand it. She thought she was loved by everybody, that she was coming there to show her concern.

*Q: She believed her own P.R.?*

LEHFELDT: Yes. That was symptomatic of the whole disappearance of the aura of power at the top of the pyramid. One friend of mine, who is probably one of the most astute

observers of Iran, as well as the American political picture—(he knows American politics down to the precinct level)—we used to have periodic discussions about what would happen after the Shah disappeared, and, of course, I always took the position that it depended on how he disappeared. If he were assassinated, then you had one set of circumstances. If he died a natural death, you had another possible set of circumstances.

But my friend posited that—and it later turned out, I think, pretty much to be the case—that once you remove the Shah as the center of power, the power that was reflected in all the other people that we viewed as all-powerful, including the head of SAVAK and the Chief of Staff and the Air Force and the Prime Minister and so forth, they wouldn't dare show their faces in the streets. Because they had no power until someone reconfirmed them one way or another. And I think he was right. That's just the way the system worked. I'm over-simplifying.

*Q: When you were in the country in your first phase in the Embassy, did you see much evidence of political problems or political opposition? Was anything visible to you?*

LEHFELDT: Very rarely. Very rarely. You would find critical comments in funny places sometimes. All the old Qajar aristocracy would be critical of these upstart Sergeant's kids, but you would rarely find—and, of course, I didn't move in the religious circles. Practically no one from the Embassy did. There were a few people who tried. Stan Escudero was one.

*Q: Was he a political officer? Escudero?*

LEHFELDT: Escudero, yes. And John Washburn was another. But I can't think—
and George Cave probably knew more of them than anybody else. But there weren't very many who were both able and willing to try to do it. It was Intelligence that was uncomfortable to some degree, although I know of—as I told you before, I know of no order to stay away from them.

*Q: From the opposition figures?*

LEHFELDT: Yes. They preferred we stay away from them.

*Q: Among your Iranian friends in those years, did any of them confide in you their own feelings about the Shah and his regime? Were any of them very critical in private?*

LEHFELDT: Yes. Yes, they were critical in private. They were critical of the emptiness of the Court and they were critical of the increased protocol that surrounded the Shah and his family, that distanced them from the people and the actuality. But they were not necessarily critical of the system as a whole, because they viewed it from the Iranian point of view as a necessary evil, and what you tried to do was limit the exaggerations of power and limit the excesses of power, not change the system itself.

*Q: At our last meeting you said that you left Iran in 1974.*

LEHFELDT: Yes.

*Q: Where did you go from there?*

LEHFELDT: I went to Spain as Consul-General. In Barcelona. Back to Spain, (I'd served in Spain before), I kept getting visits from American businesses to come talk about Iran, because there weren't many people who knew about Iran and the most recent emanations of economic well-being and the money tree that was blooming and so forth and so on. And like as not, when they left they'd offer me a job. So I finally decided, what the hell. I sorted out the various offers and I picked the one that I liked best, which happened to be General Electric. And so I retired from the Foreign Service and went back to Iran.

*Q: What year was this?*

LEHFELDT: Late '75. I wrote Dick Helms and told him what I was planning to do. I wouldn't have gone back if he'd said, don't do it. But he said, come ahead, we'd love to see you. So I went back.

*Q: So what were your responsibilities for GE?*

LEHFELDT: I was Vice-President for the region for General Electric headquartered in Iran, with primary responsibility for sort of being a senior statesman for General Electric in Iran and setting up the office and finding opportunities for investment and for sales and providing a home for those activities that were already ongoing in Iran. We had extensive aircraft engine sales, for instance. GE engines were on the F-5s and on the C-130s and on —I don't know, on a series of other planes. Some of the helicopters.

*Q: Well, in these cases was GE or other corporations producing the entire system? Or did you sell them separately?*

LEHFELDT: I don't know whether you know the aircraft business particularly, but engines are an option that the consumer chooses. You can have a Rolls Royce engine or a Pratt & Whitney engine or a GE engine. So the engine manufacturers are out there fighting head on for the contract to supply the engines for one or another of the aircraft.

And when the U.S. Air Force chose an engine for its aircraft, then automatically that engine manufacturer had a leg up. That was only one part of it. We had a lot of other business as well. GE manufactured radar and we had some power generation projects and stations, and a joint venture in the manufacture of refrigerators. We had a license —this was a joint venture. You know, a joint venture for the manufacture of lighting equipment. That is, street lighting. And so on down the line.

*Q: If I'm not mistaken, during the mid-seventies and late seventies there was a discussion on building nuclear power stations in Iran?*

LEHFELDT: Yes.

*Q: Was GE involved in that?*

LEHFELDT: We talked about it, but we never really pursued the projects, because by 1976 the environmental problems and attacks on the nuclear industry in the United States were such that GE had pulled its horns in a great deal, even though the great nuclear engineer was President in those days. Nuc-u-lear engineer. [Laughs] And we never really were in the fray and competing for the Iranian nuclear program. Westinghouse was fighting harder than anybody and Kraftwerk Union Siemens was actually...

*Q: German firm?*

LEHFELDT: Yes. And the French. What was their nuclear—? I can't remember. They were the ones who were the most active and the most successful, and again it was related to this question of who do you pay?

*Q: Did GE have any particular qualms in doing business in Iran during the period you were with it?*

LEHFELDT: Only that we were very conservative. We moved very slowly. We were very careful about the partners we worked with, with the result that when the revolution came, we had very little to lose, and I owe my continued longevity with GE to that very fact.

*Q: Were there any direct investments by GE in Iran?*

LEHFELDT: Yes. We had direct investments in a refrigerator manufacturing plant with Haji Barkhordar. It's still turning out refrigerators. Without the GE meatball [GE symbol], but it's still turning out refrigerators out in Qazvin. We had a service shop (heavy equipment repair joint venture) that was just getting off the ground, that the revolutionary government took over and used to manufacture—still is using it—to manufacture spare parts for its military

equipment. And, let's see, we still had the lighting project. There were a number of other things we were pursuing, but, thank goodness, slowly.

*Q: Were these very cautious gentlemen on investment decisions?*

LEHFELDT: Yes. Very.

*Q: Was this because Iran had this climate or just generally globally?*

LEHFELDT: Generally globally.

*Q: Now you were also involved in the Chamber of Commerce?*

LEHFELDT: I was elected to the Board of the Chamber after I returned and then I was later elected president of the Chamber of Commerce. I guess I still am the president of record of the U.S.-Iran Chamber of Commerce.

*Q: Who were some of the major figures? As president of the Chamber, did you have any special responsibilities?*

LEHFELDT: To preside at the monthly meetings and talk to people. We would host visiting firemen. Have breakfast, for instance, with Senator Byrd or Senator Long or Senator Jackson and brief them somewhat on the economic situation, and answer whatever questions they might have.

*Q: Who were some of the major figures in the Chamber at that time?*

LEHFELDT: The Iranians or the Americans?

*Q: I guess both.*

LEHFELDT: Both sides. Well, Tahir Zia'i, who was the head of the Iranian Chamber, was an honorary member of our board. The major Iranian members were the Ladjevardis,

Ahmed. Rahim (?) Irvani from Melli Shoe Company, the Melli group, one of the major industrialists. Haji Barkhordar, I've mentioned him before. James Saghi, who was American, a Kimberly Clark man, Kleenex. Novzohour papers, Lloyd Bertman, who was one of the oldest and longest American residents of Iran. He was opposed to the establishment of the Chamber. He did join.

*Q: Who was he with?*

LEHFELDT: He had a trading company with an Iranian partner by the name of Tonian, and the company was Jupiter Trading Company. They represented a number of firms off and on. Brunswick Bowling, cigarette machine companies and cigarette manufacturing equipment. Chicago Bridge & Iron. There was a whole series of them.

And all the major companies joined. Bell Helicopter, Grumman, General Dynamics, they were all members. Boeing.

*Q: The banks, did they join?*

LEHFELDT: Banks? By all means, yes.

*Q: Were there any special issues that concerned the Chamber?*

LEHFELDT: Well, investment issues, and visas into Iran were very difficult sometimes to get. Business visas. We were pushing an investment agreement. Taxation agreement. I guess that was before, I worked on the civil aviation agreement.

But these were issues that were ongoing. Insurance and re-insurance was a problem. A rather specialized one, but it was a problem. Shipping. Port congestion. That sort of thing.

*Q: Did the Embassy help focus the Chamber on some of these issues?*

LEHFELDT: Oh, yes. It was hand in glove.

*Q: And the government of Iran, was it...?*

LEHFELDT: Not very responsive.

*Q: That was under Hoveyda?*

LEHFELDT: Yes. And later, when Jamshid Amuzegar was Prime Minister.

*Q: Did you ever meet the Shah at all during this period or earlier?*

LEHFELDT: Oh, yes. Well, I met him over—mostly ceremonially obviously. I think I explained that earlier.

*Q: You did, yes.*

LEHFELDT: And that was still the case, even as a private citizen. It was ceremonial rather than...

*Q: So you really didn't get any impressions at close range?*

LEHFELDT: No.

*Q: During the period you were with GE and the Chamber, who were some of the Embassy officials that you worked with?*

LEHFELDT: Always the Ambassador, whoever that happened to be.

*Q: Helms or Sullivan?*

LEHFELDT: Helms or Sullivan. And the DCM, who usually—I mean, most of these were all my old friends, after all. And the Economic Counselor, who was hand-picked by me. Roger Brewin, who succeeded me.

Now with the military, when I went back and after the Carter advent, we were persona non grata to them, because I represented a company that was a military manufacturer, and so we couldn't be seen together anywhere.

*Q: Armish-MAAG?*

LEHFELDT: Armish-MAAG people. And so it was a little uncomfortable in town.

*Q: Was that a legal requirement?*

LEHFELDT: There was a “Carterian” dictum and the Embassy enforced it with great fervor for some strange reason. And the military, the Armish-MAAG, was more vigorous about it than anybody else.

*Q: What explains that, do you know?*

LEHFELDT: Who knows. Who knows. Well, some of it was secrecy. That was during the time when we had a couple of real cowboys, a military movement in Tehran. Colonel—(Hallock) what was his name? Well, Eric von Morbad.

*Q: He was the defense representative?*

LEHFELDT: Yes. And colonel—what the hell was his name? The Gray Ghost— (Hallock.)

*Q: He was called the Gray Ghost?*

LEHFELDT: Not Eric. The other guy was.

*Q: Oh, the other person.*

LEHFELDT: I knew him when I was Economic Counselor. When I came back, I tried to see him, and he wouldn't even acknowledge my telephone calls. Finally Toufanian

bought off his contract at great expense and sent him back to the States. He was James Schlesinger's personal sort of representative.

*Q: This is Morbad?*

LEHFELDT: Von Morbad and [Hallock].

*Q: They worked together?*

LEHFELDT: Yes.

*Q: Now you mentioned earlier that the U.S.-Iran Joint Economic Commission—did the Chamber do any work with the Commission at all? How did that work?*

LEHFELDT: We were sort of the resource for the Joint Economic Council. It was a subgroup of the Chamber really and your companies joined and paid to become a member of the U.S. section of the Joint Economic Council, Business Council. And so whenever you were having a Joint Economic Commission meeting, the U.S.-Iran Business Council would meet at the same time and there would be a little bit of cross-fertilization and it always became a great social occasion, although it didn't last all that long. John Patterson, I think his name was, from the UOP was the head of it at one point.

*Q: UoP? Is this a firm?*

LEHFELDT: It's a firm. Of the Middle States somewhere. I've forgotten what it was. A pipeline transmission company.

*Q: So the commission would sort of facilitate trade, and investment from U.S. to Iran?*

LEHFELDT: That's right.

*Q: Was it very effective in that way?*

LEHFELDT: No. Not really. It provides a certain—yes, there were certain—it did accomplish a few things, but not really very much. These things I view as—although I take part in a lot of them even today, they are more window-dressing than really—you have to demonstrate to your host government that you're active and interested in their affairs, and that opens doors that wouldn't ordinarily be open perhaps. You meet people. You get to know them on a social and non-official level that helps later.

*Q: Now your second stay in Iran coincided with the growth of opposition to the Shah and the collapse of the monarchy, back in '78, early '79. Now before the revolutionary crisis began in mid-'78 and the following months...*

LEHFELDT: Why do you say mid-'78? It started well before that.

*Q: Well, actually, I guess, January. January '78. But before 1978 was there—did you notice any developments that suggested particular difficulties in the country?*

LEHFELDT: Oh, sure.

*Q: Of very serious difficulties in the country?*

LEHFELDT: Oh, yes, indeed. Well, and opposition. After all, Doug MacArthur, they tried to assassinate or kidnap him. And there were other incidents or attempts on Americans. The Rockwell officials were assassinated. And there were a number of other incidents that you can point to.

The attempts after 1975—after '76, I guess, when—when Amuzegar came into power?

*Q: I think '77.*

LEHFELDT: '77. When that wild man, Fereidun Mahdavi, was made Minister of Commerce, he organized all these student groups to go around the bazaars to check on price controls.

*Q: That was even before that, I think, perhaps. '75? A lot of pressure. Sort of a mid-70's phenomenon. The Rastakhiz Party?*

LEHFELDT: Yes, the Rastakhiz Party.

*Q: But it continued into the following year?*

LEHFELDT: Yes, it continued in those years. And that was when they started the program of “Rustication,” of people who were accused of violating price controls and so forth. One of the Bighanians—one of those big Jewish families was rusticated down in the desert.

*Q: That means exiled?*

LEHFELDT: Exiled, yes. And it aroused a great deal of enmity in the bazaar class, and it was palpable. You could hear it. You could feel it. They'd talk about it with people, because it made absolutely no economic sense, what they were trying to do. And I remember one evening going over to dinner at Reza Moghadam's house, who was then running a bank. John Gunter, I guess was his name, from the IMF was visiting. Khodadad Armoni Armain was there and Cyrus Sammi, Mehdi Sammi, myself and John, Reza Moghadam, Sahl Shoraha, Dr. Amin. There were ten or twelve of us. This was really the economic brain trust of Iran.

And they were talking about the situation and the money the government was wasting on imports, to keep, as one of them put it, Tehran happy. Fresh fruit, fresh chicken, fresh butter, fresh everything, to make sure that the stores were filled with everything they needed, while the agricultural base of the country was still being devastated by a lack of a

sensible economic policy. And they were highly critical. But that was within this very small in-group.

*Q: So what was your general evaluation of economic conditions when you were back in the country in '75 and '76?*

LEHFELDT: Well, when I went back at the end of '75, things had changed so drastically from the time I left, as I indicated, that there was almost no control. There was no discipline. The hotels were jammed with foreigners of all stripes with propositions waving contracts and proposals and so forth and so on. It was a field day for anybody who had any claim to being influential. So money was just flowing all over the place. It made it very difficult for sensible companies, like mine, to try to do something reasonable. Sure, I would go around to see my old friends in government, and I never ever made a proposition to them that I wouldn't make to you or a Congressman or anybody like that, but more often than not—I wouldn't say it fell on deaf ears, because it didn't, but there was just no movement.

*Q: Now I've read descriptions of the Iranian economy at this time, that after '75, when oil prices were skyrocketing, there was an inflationary boom that triggered all kinds of problems. Like shortages, income equality was aggravated. There was overcrowding in the cities, like Tehran. Bottlenecks in the ports, which you mentioned earlier. Now apparently this led to a lot of popular resentment of economic conditions in the country and in the city of Tehran generally. Did you see much evidence of resentment? You mentioned the question of bazaars and their apprehension of the price control issue. Besides that, there was...?*

LEHFELDT: Besides that, yes, businessmen, industrialists generally found doing business very difficult. Mainly because the port facilities were so badly organized and the transportation system was so over-taxed that getting their supplies in—and especially

if they were in something like housing, construction, that sort of thing—getting cement supplies, in competition with government, was very difficult indeed.

I was talking to someone the other day. Who the heck was it? Oh, I know. They were involved in building the national tele-communications system, the microwave system. It was a Northrop project, a Northrop Page project. And he was complaining to his friend that, you know, every time he turned around he found his cement being delivered to this housing project that had the Shah's family's protection or involvement. And the guy who was building that says, “No way, I didn't get any of that. [Laughs] Apparently you were just being taken by one of the truck drivers, who was selling it twice.”

But, yes, it was very difficult. And government action would solve things on occasion. SAVAK would order a thousand trucks to go down to the port and bring back cement or other supplies that were necessary. There were shiploads of live sheep that would be offloaded in Bandar Shahpur and no one was there to take care of them, and, of course, that was a great hassle. What do you do with fifty thousand sheep overnight? [Laughs]

*Q: I think I've also read, I guess in the wake of the Shah's anti-inflation campaign, led by the Rastakhiz Party, that there was a lot of capital flight.*

LEHFELDT: Yes. Well, they opened up the—yes, sure, there was a capital flight.

*Q: Was that indication of sort of declining confidence in the regime or something else?*

LEHFELDT: Well, no, it was just that any prudent Iranian or Middle Easterner in that kind of a euphoric situation would automatically toss a few anchors to the windward. Some of them had a lot of money abroad always. Others had enough to take care of themselves. A few I knew refused to do it and ended up on the short end of the stick. They were genuine patriots. They felt our life is here and we're going to keep it here.

*Q: Did your Iranian business and economic official friends—what did they think of the arms purchase program by this point? They had problems with it?*

LEHFELDT: Yes, they had problems with it. What are we going to do? What are these guys going to do with them? There was just a great amount of doubt that they could be effectively used and who were they going to use them against. Although they did sort of take a little pride in the Abu Musa operation.

*Q: In the Persian Gulf?*

LEHFELDT: Yes.

*Q: From what I've read, the Rastakhiz Party—or the Resurgence Party in English—had two wings. There was a progressive wing, which I guess was more nationalistic and more supportive of government intervention in the economy.*

LEHFELDT: It was all window-dressing. This wasn't really—people were assigned to the wings. It wasn't because...

*Q: There weren't any actual...*

LEHFELDT: There wasn't any real choice, no.

*Q: Oh. There was supposed to be a constructive wing, which was more internationalist and more towards economic revolution. That was a totally artificial...*

LEHFELDT: Totally artificial, absolutely. That was my understanding of it, and I think if you ask some of the Iranians around here, they'd tell you the same thing.

*Q: So these wings are not really reflective of the real views of the participants?*

LEHFELDT: No. Well, Jamshid Amuzegar, who was the head of the party, a year or two before had told me, he said, “I have nothing to do with politics. I am not a politician. I will not join any party.” And the next thing you knew, there he is heading the damn thing. Because the Shah told him to.

*Q: I guess the prices had soared before you actually came back to Tehran. I think it was March of '75?*

LEHFELDT: Yes.

*Q: What did you make of it?*

LEHFELDT: Well, I figured it was just more of the same situation. You know, the two parties they'd had before—I've forgotten the names, they're so memorable—were artificial as well. I knew Ameri, who was the head of one party (the Mardom), the opposition party. But there was hope, when they had the two parties, that one day the system would grow into real democracy. But with the advent of the decision to create the Rastakhiz Party with the two wings, you know, all of those hopes were dashed. They all played the game, but it was not a real political movement.

*Q: Now you mentioned earlier the Shah's efforts to sort of police—the Shah's efforts through the Rastakhiz Party to police the bazaar, in terms of price controls and so forth. Did this have an impact on U.S. corporations who were active in Iran, this anti-pleasure [?] campaign? Did it have any impact on corporate operations?*

LEHFELDT: I don't think so. No, this was more addressed to those things that affected the average Iranian's daily life. The cheap plastic shoes, the green vegetables, the oranges and things of that sort. Fruits. Chicken.

*Q: Just basic consumer...*

LEHFELDT: Yes, basic consumer items.

*Q: Consumer necessities?*

LEHFELDT: Yes.

*Q: Around the same year, '75, the Shah also had selected a Law for the Extension of Industrial Property, to require large corporations, Iranian and foreign, to sell forty-nine per cent of their shares to employees. I guess the Shah thought this was a way to head off labor trouble in the future. The same law I guess also restricted foreign participation in joint ventures. They could only hold a small percentage of investment stake in Iran. How did American corporate investors react to these?*

LEHFELDT: That law, in effect, was never really applied. It never had a chance. There was a lot of talk about it. This was one of the efforts of the U.S.-Iran Joint Business Council. To try to smoke out of the government how they were going to implement these decrees, because they were decrees. And the implementation orders, by the time the revolution came along, had never really been put into effect. A lot of companies jumped in and said, sure, here are our shares, we'll give them to the workers and so on. So some of them made shows in handing out certificates, but again it never really became effective.

*Q: Do I recall reading somewhere that B.F. Goodrich pulled out of Iran because of one of these laws or something? That they reduced their operations or...?*

LEHFELDT: Well, B.F. Goodrich was undergoing its own problems at the time and they did pull out, but I don't remember the proximate cause. I think it had more to do with repatriation profits and capital than anything else.

*Q: Repatriation of profits could have involved the question of government regulation? In terms of employees.*

LEHFELDT: Yes. But when they freed the exchange controls, the question didn't arise.

*Q: One last question, then maybe we should break up for the day. In March '76 David Rockefeller and a group of about fifty American bankers—I think industrialists also—came to Iran. Came to Iran to discuss...*

LEHFELDT: Yes. I had Jack Parker, the vice-chairman of GE, there, and John Burlinghame, the senior vice-president for International, was there. And I attended the conference as well.

*Q: So this was a delegation designed to discuss investment issues in Iran?*

LEHFELDT: Yes. You know, Bob Abboud and Don Regan and all kinds of cats were on that one.

*Q: What motivated this delegation to come to Iran? Was there some kind of concern about the business climate or just an effort to just find a way to...*

LEHFELDT: Just an effort to find a way to—well, help recycle oil money. To insure the Americans were getting their fair share of Iranian investment money. David Rockefeller always liked to be seen with the other Shahs of the world. And he's a nice fellow. I mean, he really did a first—let me tell you something about that.

I was instrumental in briefing the delegation before the conference began, and I spent half an hour on the corruption issue, telling them that this was a real problem and getting worse. And so they took it to heart, in a sense, in the sense that Tahir Zia'i and David Rockefeller and I don't know who else got together and discussed the problem and agreed that they would not discuss corruption, they would not mention corruption at all. Well, that was all right. Until the last dinner, when Prime Minister Hoveyda was addressing the assembled magnates and accused all the American businessmen of corrupting the poor

Iranians by offering them money, and the Iranians couldn't resist the temptations that we put in their way. So we were the culprits, and, boy, was there a reaction to that one.

*Q: Apparently the Rockefeller group was also interested in trying to set up an international money market in Iran at this time.*

LEHFELDT: Yes. That was the focus of the discussion, to bring Iran into the international financial world, but my recollection of the general conclusion was that the Iranian system was not developed enough yet to make sense. The stock market was not really functioning in a real way and the banks were not efficient enough. There simply wasn't enough fundament to make it. But the view of the future was that they could get there and this was something that they were trying to bring the Iranian government and financial world to do over time. I don't think anybody had any illusions when they came that this was going to happen very soon. Least of all the Iranian bankers.

*Q: Was the Rockefeller group—were they concerned about these degrees of share participation and how many joint ventures there were?*

LEHFELDT: They wanted to know what it was all about but that was the early days and they really didn't get much illumination is my recollection. You know, it was a fun conference in a way, because I'd never seen so many senior American businessmen together in one place before.

*Q: We'll stop for today and then finish up the next time around.*

LEHFELDT: Okay. Very good.

*Q: With the expansion of the arms sales and the growing U.S. business activity in Iran during the mid to late seventies, there came an influx of American nationals—technicians, managers, military advisers and so forth.*

LEHFELDT: And other entrepreneurs, who were just looking to get under the money tree.

*Q: That's right. Now what issues did this growing U.S. cultural and economic presence raise?*

LEHFELDT: Well, you can divide them into a series of things. First there was the pressure on the housing market, which seems kind of silly, but it's also one of the points of complaints by many middle and upper-crust Iranians, that the influx of Americans and other foreigners, who really didn't care how much they paid for housing, drove the average Iranian out of the rental market and made it almost totally impossible for a young Iranian couple even to hope to either rent or own their own apartment or house, with the result that a lot of young couples started their married lives living with in-laws or family and sometimes under rather crowded and difficult circumstances. So that was one point.

The pressure on public facilities was another one. Automobiles were expensive and hard to come by, and the visibility, the easy visibility, of foreigners driving expensive—or to the average Iranian, expensive cars, which were either provided for the Americans or the foreigners by their companies, by their governments, was another point of criticism and difference.

Then finally the—not finally, but one other thing was that the competition for competent Iranian help became very intense, with the result that salaries were driven up very high and the local Iranian companies again could not compete, except those that were tremendously strong, tremendously wealthy, or tremendously corrupt, whichever.

So there were a number of points on the living level. Over time the—oh, and I know, the education that was provided, educational facilities that were provided for American kids in Iran, were so far superior and so visibly far superior to those provided for Iranian kids that it too became a point of difference.

So that you had it on a whole series of levels and there are other examples. The practice of religion was one problem. Many of the foreigners, Americans principally, who came were—well, some, at least, were either religious fundamentalists, Seventh Day Adventists, whatever, or Mormons or a whole series of things that were anathema to the religious element in the country.

So putting them all together, you had a mixture that was bound to create widespread dissatisfaction. Balance that on the other side with the efforts of the government to satisfy the needs of the average Iranian by heavy imports of foodstuffs—fruits, vegetables, chickens, butter, onions, whatever—to make sure that the cities at least were well fed, even if the countryside was neglected, helped to some degree to alleviate the discrepancies that were caused by the heavy influx of foreigners. The insensitivity of many of the foreigners to local mores and customs was another point of some considerable criticism.

*Q: Did those attitudes have sort of a visible impact on the relationship of the Iranians? Did ethnocentric attitudes on the part of Americans, a sort of national chauvinistic attitude, have a problem?*

LEHFELDT: I don't think it was necessarily the chauvinistic attitude. It was just simply insensitivity. The selection process by some of the companies, of the technicians and other people they assigned out there, was simply not very thorough. They almost just went out in the street and grabbed people and sent them over and hoped that they would work. Now in some cases they didn't. Bell Helicopter had a number of cases of people who showed up down in Isfahan, stayed less than twenty-four hours and went home, because they were simply not prepared for what they found down there. So, you know, it was kind of difficult for everybody.

*Q: Did the Chamber of Commerce work on these issues?*

LEHFELDT: We tried to work on these issues. We tried to brief companies as they came out. Our executive directors over the time—Frank Burroughs and his predecessor, whose name escapes me right off-hand—used to brief people, and Frank, of course, was fluent in Persian and married to an Iranian and quite sensitive to the needs of the average Iranian. I think he did a superb job in trying, at least, to influence people to do the right thing.

But it was a—there were those—if I might divide the companies into those who tried harder and those who didn't, those who were allied with the military, i.e. military suppliers, military equipment suppliers, were the least effective in their personnel selection and the most demanding in terms of creature comforts and the hardest thereby to satisfy and the ones who caused the most difficulty. By and large. That's a generalization, but I think it's substantially true.

*Q: You suggested that the problem of housing, the role of our educational institutions in Iran, among other things sort of tended to lead to criticism of Americans in general. Did you see visible evidence or implicit anti-Americanism during the period when you were...?*

LEHFELDT: Oh, sure. Oh, indeed. My wife and I and the family used to travel—at least we attempted to travel extensively, and always during the Noruz period, we did take trips out into the boonies. Some of our favorite trips were going down through Kashan to Nain, Nataz, Yazd, Kerman and so on, and getting off into the mountain villages alongside.

One specific instance we went up to—oh, my word—outside of Kashan there is in the mountains a village where they harvest rose petals to make attara roses. It's well known. I can't remember the name right off-hand. But it was converted to Islam as late as 1935 by Shah Reza, by the bastinado pretty much. At least that's the story we got. There were some villages of that sort. They had previously been Zoroastrian.

At any rate, we were wandering through the village and some little children came up to us and started talking to us and reflected their teachings from the mullahs, which were the

“you Christian, you no good; me Muslim, me good,” in their medieval English. A medieval modicum of English. They did know some English, believe it or not. But the attitudes that they displayed were symptomatic, I think, of what came later.

*Q: It's been argued that to some extent Iranian anti-Americanism was partly stimulated by the role that the Eisenhower administration played in restoring the power of the Shah in 1953.*

LEHFELDT: Well, let's back up just a minute. You are assuming—and forgive me if I'm putting words in your mouth, but your question at least gives the implication that anti-Americanism was endemic and widespread. I don't believe that to be the case. Yes, there were people who were anti-American and some of them with reasonably good reason. But I think there was a far broader, and I believe there still is a far broader base, of pro-Americanism in Iran than the events and the success of the Ayatollah would lead one to believe. The Iranians are a volatile lot, there's no question about it, and they are easily led, difficult to push, and they develop extreme dislikes. Now their basic desire was to get rid of the Shah, but it wasn't necessarily because they were anti-American. The two are not necessarily coexistent. That is not to say that there is not anti-Americanism. There is. And some of the people who are involved, especially the—well, the Tudehs naturally, but many of the pro-democratic element, without being communist or communist-leaning, felt—as is apparently felt in many other parts of the world—that we were supporting a right wing, autocratic not to say dictatorial regime, when we might well have gone other directions.

Now no one has ever satisfactorily, at least for me, demonstrated that there was an alternate direction to go in existence at the time, given our other strategic and geopolitical needs in the area.

So I don't know...

*Q: Well, I guess what I'm saying is that those who were critical of American foreign policy in some respects, that was simulated or reinforced by the U.S. role in '53 in overthrowing Mossadegh and rebuilding the power of the Shah to some extent.*

LEHFELDT: Let's examine that premise a little bit too. Despite Mr. Roosevelt's [Kim] book, the return of the Shah would not have happened if it had not been a reasonably popular activity on the part of the majority of the Iranians. I posit that as—I mean, that's my basic premise. It would not have happened if most people had not wanted him back.

*Q: But I guess you said that the U.S. played a sort of catalyzing role in bringing Mossadegh down? That's the argument that has been made, in any case.*

LEHFELDT: Yes. Bringing Mossadegh down is probably more a British activity than an American.

*Q: But I guess what I'm trying to say is to what extent, when you talked to Iranian officials —this is men in the seventies or sixties—to what extent did they assume that the U.S. had played a role in that episode?*

LEHFELDT: Oh, that was a given, that we'd played a role.

*Q: A major role or an unimportant role?*

LEHFELDT: Well, it was an overblown role. I think our role was not nearly as crucial, and I believe Kim Roosevelt says this in his book. Not nearly as crucial as a lot of people would have one believe today. We are widely credited—CIA is widely credited—in bringing Mossadegh down, in bringing back the Shah. Not so. We had a minor role in it. A real minor role.

*Q: My interest was to what extent you took—you took it for granted.*

LEHFELDT: They took it for granted, oh, sure. But those who knew better really knew better, and you didn't find them making those charges. People like Eqbal and Alam had serious questions about American policies, based on serious problems that they could see. But they were still basically pro-American.

*Q: Moving on to another issue. Now apparently during the course of '76 the Shah made some tentative steps towards internal liberalization. For example, he moderated the degree of political repression, of internal repression, to some extent, and made some moves toward legal reform of the judicial system. How much knowledge did you have of this change in tack around that time.*

LEHFELDT: Well, I guess it was more apparent than real, because it was not really—those changes were allied with some other changes, as I recall. I may have the timing wrong, but the creation of the single party, the Rastakhiz Party, took place about that time as well.

*Q: '75 or so?*

LEHFELDT: Yes. And so when you have a single party government, even if you have two wings, with the leader at least of one of the wings—that was Jamshid Amuzegar—dragged in kicking and screaming to head it, other so-called reforms really are meaningless. And so if there was a judicial reform...

*Q: It was more a discussion of taking steps as opposed to actual...*

LEHFELDT: Yes. Well, there was the effort to get democracy working at the lowest possible level. Electing village chiefs and headmen, that sort of thing. It never really got very far.

*Q: Some suggest that the Shah was moving in this direction because of concern that his son have some kind of a—be able to establish his own rule in a sort of legitimate fashion.*

LEHFELDT: Yes. There were some interviews given by the Shah at the time, and I recall one such—reported to me, at least, by a man who flew with him to Europe. It was John—it was a CHRISTIAN SCIENCE MONITOR guy. At any rate—John Cooley, I think it was. He had several hours to talk to the Shah on board the plane on several of the things, and I may have mentioned this earlier. The Shah sort of let down his hair and said, “You know, I've got to act imperial. I have to act cold and aloof and distant. My people expect it of me. That isn't the way I want to be.” And it certainly wasn't the way he was at the end of World War II, when he was a playboy about town and so on. Then he went on to say, “My greatest hope is to leave my son a throne, although I am not certain that that's going to happen. Certainly he's not going to be able to rule in the same manner in which I do. He's going to have to give a lot if he's going to rule.” So he clearly had something of that in mind. And I can't place that interview in time. I believe it was about '75 or thereabouts.

But, yes, I think he was trying, but it varied. He wasn't willing to go all the way and he wasn't willing, as I think I recounted earlier, to root out corruption all the way. They would take half-hearted steps against it, but it was more than he could do to bring himself to discard some of his oldest, longest associates, his most trusted associates.

But when you got down to the end, the end of 1978, they all fell by the wayside. His personal physician, who was a Bahai. There were several others. The head of SAVAK, General Nasari. A whole batch of them he tossed in jail at the end to try to buy time.

*Q: Now in early '77, Jimmy Carter of course was inaugurated President. Now from your vantage point in Tehran, how did Carter's election go over? In government circles, I suppose, or business circles?*

LEHFELDT: Well, there was a certain amount of just—let me see—unhappiness over his election. And some of the things that came to pass as far as the business community were concerned were immediately criticized, I guess. Any of us who had anything to do with a company that manufactured military equipment that was being supplied, we were pariah.

I mean, we couldn't mix with the military. These were Carter's orders, that the military not have anything to do with any arms salesmen. They were not to help us in any way. The Embassy enforced that rule as well. And it was really a very distasteful period for American businessmen abroad. For instance, even myself, who had close, good relations with many of the Embassy folk, based on personal friendships, found it very difficult to carry on a normal social intercourse with them. They wouldn't accept invitations, some of them, because they interpreted their orders to just ignore us, stay away from us, not help us. And so it was not a very happy time, and the distrust of the American Embassy began with the advent of Carter. And by the time the Revolution came along, the distrust and alienation of the American community from the Embassy was pretty much complete.

*Q: What about your Iranian contacts? People in the government, Iranian businessmen, how did they view things?*

LEHFELDT: Well, you have to differentiate. The Iranian businessman and his government contacts were never disturbed particularly. Their only concern was to make sure that they didn't raise their heads too far, so that they attracted the attention of one or another of the royal family.

American businessmen and their contacts with government—oh, it became from 1975 very difficult to even get to see a minister, where before there were open doors. It became very difficult to talk sensibly to some of the people, because the ministries were peopled with politicians rather than technicians, technocrats. And even some of my old, close friends had been moved aside from positions of power into more advisory positions, and it was very difficult to get anything sensible done. There are some exceptions, but people like Fereydoun Mahdavi, for instance, who had been a reasonably junior—not junior, but reasonable obscure senior officer in the industrial IMDBI, Industrial Mining and Development Bank of Iran, suddenly became Minister of Commerce, and he was impossible. Mehdi Sami'i, who had been running the Plan Organization and the Central Bank, suddenly found himself over in the Prime Minister's office as a special adviser. And

although Mehdi's door was always open to me and even Fereydoun's was to a degree, if I needed to see him, but a lot of the other people withdrew. Reza Mogaddam withdrew from government and started his own bank. Cyrus Sami'i—well, of course, he'd gone into a bank before, in any case, the Iranians Banka joint venture of Citibank, and then the Iran-Arab Bank—that's not quite the right title, but...

At any rate, a whole raft of new people came in, that were unknown or strictly politicians, and made it very difficult to deal with them rationally. Many of them had their hands out, which made it very difficult. They had a whole new coterie of interlopers—intermediaries rather—coming along seeking to be helpful to you. For a price. And so it was very difficult to walk the straight line that the Carter Administration expected businessmen to walk and satisfy the Iranians in the manner in which they expected to be satisfied.

*Q: Getting back to Carter's foreign policy, he appointed William Sullivan as Ambassador, of course.*

LEHFELDT: Yes.

*Q: Did you get—given what you've been saying already, it sounds like you didn't get to know Sullivan or...*

LEHFELDT: Why, I'd known Sullivan before.

*Q: Oh, you had? Okay.*

LEHFELDT: You know he owed his appointment as Ambassador to Averell Harriman.

*Q: I think I've heard that.*

LEHFELDT: He was Averell's prot#g#.

*Q: The Laos period, yes.*

LEHFELDT: Yes. And Bill did have some Middle East experience. He'd served in Iraq—Basra or some place like that—early on in his career, but he knew nothing about Iran. Or very little. He came almost directly from the Philippines. And he arrived—if I recall correctly, he arrived in about March, 1978. He left in Early June to go on extended home leave and he came back at the end of August, 1978. Because I was on the same plane with him when he came back. I know when he came back. It was about the time of the Abadan Theatre disaster.

Now—you can't tell me that Bill Sullivan kept his thumb on the pulse of things during those crucial months, when many serious things were taking place. I think we had a pretty lousy Embassy then. Perfectly frankly, we had a lousy Embassy. And I may have mentioned this earlier, I don't know.

*Q: Not in those terms, no.*

LEHFELDT: We had a Political Counselor who didn't want to be there.

*Q: Who was that?*

LEHFELDT: A Greek name, George Lambrakis. Pretty bright guy, all things considered. We had an Economic Counselor—I'm talking about 1978 now...

*Q: This is '77, or '78 particularly?*

LEHFELDT: '77, '78. Late '77-'78 particularly, because all the turmoil began in early '78. Some people put it in Tabriz, some people put it in Mashed, some people put it in Qum, but it all began in early '78. Or would be intensified in early '78.

We had an Economic Counselor who had never served in the Middle East. He'd been head of the Economic Section in Panama, of all places. We had a head of the CIA, the

Station Chief, who had spent the previous thirteen years in Japan. Spoke no Persian, as far as I know.

*Q: The DCM was...?*

LEHFELDT: The DCM was Charlie Naas, who was reasonably knowledgeable. I believe it was Charlie Naas.

*Q: Well, Miklos was on...*

LEHFELDT: Jack Miklos was there until Bill arrived, that's right.

*Q: Actually through part of '78, I think.*

LEHFELDT: Yes, until Bill arrived.

*Q: Well, Sullivan arrived in '77, didn't he? Spring of '77?*

LEHFELDT: No. No-o.

*Q: Yes. The spring of '77. Like June or something.*

LEHFELDT: Late. Later than that. If it wasn't early '78.

*Q: Well, there was a gap between Helms and Sullivan.*

LEHFELDT: There was a long gap between—there was a pretty long gap. He didn't get there—well, it was late '77 then. It wasn't early '77.

*Q: I think Miklos was there through like May or June of '78, something like that. What was your assessment of Miklos?*

LEHFELDT: Very careful. [laughs] He wasn't going to do anything to rock boats. He was hoping to get an ambassadorship himself, with the result that he wasn't going to take any

chances. He knew a lot of Iranians, no question about it. But I don't believe that he was fully trusted or respected by the Iranian senior hierarchy. Well, obviously he was the junior man and a fill-in, so they weren't going to accord him the same treatment that they would someone who was clearly the right hand of the President, or the emissary of the President, as Dick Helms was and Bill Sullivan was supposed to be.

But, you know, there were a number of other things that were happening at the time in the military.

*Q: Oh, in the MAAG?*

LEHFELDT: Yes, in the MAAG. You had Arthur Schlesinger—no, I'm sorry, not Arthur Schlesinger. You had Schlesinger anyway.

*Q: James Schlesinger?*

LEHFELDT: Who was the Secretary of Defense?

*Q: Brown. Schlesinger and then [Donald] Rumsfeld, then Brown, under Carter, right? Before Brown you had Rumsfeld, and before him was James Schlesinger. But he was in Energy under Carter, right?*

LEHFELDT: Well, under Schlesinger started the fundamental deterioration—I view it at least—of the MAAGs integrity.

*Q: It was during the Ford period then.*

LEHFELDT: Yes, it was during the Ford period, because he'd put in this Colonel What's-His-Name down there as an adviser to...

*Q: Hallock?*

LEHFELDT: [Richard] Hallock, yes. Adviser to Toufanian, and that came a cropper. Toufanian paid Hallock off very handsomely just to get out of the country. And then Erich von Marbod came as the personal representative and this sort of detracted from the authority of the Armish-MAAG Chief and made life very difficult and set up another pole vis-a-vis both the Armish-MAAG Chief and the Ambassador. And by the time you got [Philip] Gast there, who was not overly—I don't know what to say about him, I didn't know him all that well. Apparently an able military guy, but knew nothing about Iran particularly. And that came back to haunt everybody when he was running that operation in the desert later on.

The Embassy's disarray—and I view it as disarray, because it didn't have a very good crowd—and the military disarray, because of the divided loyalties there, made it very easy for the Iranians to play them off one against the other.

*Q: That's very interesting.*

LEHFELDT: Yes. I don't know whether anybody else would say that, but I certainly felt that.

*Q: About early '77—I guess by early in the year—the economy of Iran was falling into recession of sorts. I've read that unemployment reached about nine per cent by the end of the year.*

LEHFELDT: Oh, hell, it was always much higher than that. Nine per cent where?

*Q: I guess I saw a figure for the national level. That could have been...*

LEHFELDT: That was a figment of imagination to begin with.

*Q: In terms of statistical methods?*

LEHFELDT: Yes. There was more disguised under—and unemployment than you could shake a stick at. It was almost as bad as India in some respects. Not quite. But to assert that you had only a nine per cent unemployment rate I think is ludicrous. I realize they had to manufacture numbers for things, but if you went down into South Tehran in 1977 of a warm summer's day, you wondered why the place didn't blow up earlier. People were flocking to town from the countryside, from the small villages all over the country, hoping to get in on the gravy train and crammed into impossible living quarters in South Tehran, by and large. And all looking for jobs. You could go down there with your truck and fill it up with people to go out working on day labor, and you didn't have to pay them very much, because they were really paid starvation wages. And here were all these enormous big apartments going up, enormous luxury housing projects, and nothing going on in South Tehran. That's another one of the effects of the...

*Q: Like I say, I guess unemployment became much more serious than it had been earlier.*

LEHFELDT: Yes.

*Q: What was the impact on the U.S. business community of this development? If any?*

LEHFELDT: Of the recession?

*Q: Yes.*

LEHFELDT: Well, there was a—when you say recession, they suddenly realized that they had overspent and they'd over-committed, and they had to draw back.

*Q: There was a tightening of monetary policies?*

LEHFELDT: Yes. And there was also the problem that they were over-taxing their own facilities. You know, the crowding of the ports was just incredible by that time, and so they had to do something sensible about clearing them out. And I think there was a return to

some effort at rational management of the economy, but not enough. I'm not quite sure my memory permits me to bring back chapter and verse, but by 1976, I guess, they had lifted all foreign exchange controls, had they not? Can you remember when that...?

*Q: Yes, that's right. It was around that time.*

LEHFELDT: So by 1977 every Iranian, wealthy Iranian worthy of the name, was planting his little nest egg outside. So you had a drawdown on foreign reserves. And the oil situation was not reaping the rewards that they'd thought it would, and they were spending a hell of a lot more than they were taking in. And if I'm not mistaken, it was about that time they started to go on to the European market to raise money, didn't they? They floated a few loans out there at that time. So they had to begin to try to put their house back in order. The trouble is they didn't do it quickly enough or thoroughly enough. They were still relying on some of what I call the Chinese Cultural Revolutionary Squad methods to get some of it done, with the attendant increase in dissatisfaction with the government. Especially on the part of the bazaar and the industrialists.

*Q: So these deepening economic problems—did they have much of an impact on the investment plans of U.S. corporations?*

LEHFELDT: Of course. Of course. You couldn't get anything approved. Governments were —I mean, government agencies were pulling back. My own company, General Electric at the time, we had thought we might do a number of things with the government. We made some proposals to IDRO, the Iran Development & Reconstruction Organization, I think it was called, which was the government industry arm, government-owned company. And they owned a lot of things like Machine Sazi Tabriz, and a lot of the Arak [Southwest of Iran] businesses were run by IDRO.

And we made a whole series of presentations to them on what we would like to do, absolutely with no resonance whatever. Mainly because we weren't bringing big buckets

of money in. We were expecting participation and cooperation and so forth and so on, and that wasn't what they were looking for.

I always got a good hearing. I never had any problems. Some of my old friends from government, when I was in government, were running those ministries. Reza Amin was running the Ministry of Industry—Commerce and Industry, I guess it was. And Dr.—I can't think of his name—was still head of IDRO. Very nice man. Very honest. Thoroughly competent, but no place to go. No place to go.

*Q: Now with the worsening of economic conditions, I've read the Shah began to relax somewhat the Rastakhiz Party's anti-inflation campaign.*

LEHFELDT: Yes.

*Q: And the anti-profiteering efforts as well. And he made some cabinet changes. He appointed Amuzegar...*

LEHFELDT: Prime Minister.

*Q: Replacing Hoveyda?*

LEHFELDT: Yes.

*Q: This was all, I think, in August of '77. From what I've read.*

LEHFELDT: Yes, that's correct.

*Q: What was your impression of this policy shift? The Amuzegar appointment, among other things?*

LEHFELDT: Amuzegar was much more of a nationalist than Hoveyda was. Hoveyda was a real pragmatist. Amuzegar was more of an ideologue than Hoveyda. And Amuzegar was probably, in a sense, a better educated technocrat than Hoveyda. But Hoveyda was

the ultimate politician in Iranian terms. He knew how to get the best and the most out of a diverse ragtaggle group of people. He knew who to pay, when to pay, and how to pay, and he engaged in a great political juggling game for thirteen years as Prime Minister. One of my friends, who knew him well, quoted him one day to me. He says, “You know, give me another five years and I can make this system last and work, but I'm afraid I don't have that long.” And it was very shortly after that that he was replaced by Amuzegar.

Now Amuzegar, who had been a very good Minister of Finance for many years and made his reputation as the principal representative in OPEC, and indeed was the man who sort of made OPEC work, along with [Sheik] Yamani, back in 1971-72-73 period, and engineered those agreements that brought about the vast increase in oil income, should have been a good technician, but he was insensitive as a politician. There are stories —and I'm told they are true—that when he discovered the sort of privy purse list that Hoveyda maintained of mullahs, ayatollahs, religious leaders, he was appalled and said, “Cut it all off.” So he cut off...

*Q: The subsidies?*

LEHFELDT: The subsidies, yes. So he cut off the payments that were keeping these people loyal—at least vocally loyal, if not truly loyal—to the government, and forced them with one stroke of the pen, overnight, into the vocal and active opposition. That's, I think, demonstrable, although I can't say for sure, because I've never seen the documents of it. But there are many people who will swear to that. That was the first of many sort of insensitive things.

*Q: Now, I guess during the course of the same year of '77, there was an increase in organized opposition activity, there was student unrest that was fairly widespread, there were protests in the Tehran bazaar and other places. How did you assess these developments? How much did you know about them?*

LEHFELDT: We didn't know much about them, because naturally they didn't appear in the newspaper. And unless you happened to be caught up in the middle of one of them, you didn't know it occurred. You got rumors, and, of course, some highly visible things as the assassination—the killing of a couple of American officers, technicians, and so forth. That was hard to keep under cover. But by and large, we didn't know much about the demonstrations and anti-regime activities.

*Q: Before '78?*

LEHFELDT: Before '78. I've been asked before, when did business know what was happening and what did they do about it? We really weren't aware very clearly about what was happening until well on into '78. The Embassy, I must say, didn't do much to elucidate the situation either.

*Q: Now late in that year, in '77, President Carter made a state visit.*

LEHFELDT: Yes. On New Year's.

*Q: Right. That's right, close to New Year's Eve. What was your interpretation of the visit? How did you evaluate it at that time? Did it have any special significance?*

LEHFELDT: Not particularly, except that it was a convenient place to spend New Year's, and you'd rather do it amongst friends than any place else. He did indulge in some hyperbole that I don't think Mr. Nixon would have, but that's all right. Which he lived to eat a year later. It wasn't exactly a state dinner anyway, but that's all right. No, it was just another ceremonial stop without a—it didn't seem to us a heck of a lot of substance. There couldn't have been. They were only there twenty-four hours, if that long. And so the kind of substance that took place would be pretty limited. That's right, Bill Sullivan was there for that. He had to be. But he got there just before. He couldn't have been there very long before that.

*Q: Now in his campaign, of course, Carter emphasized the importance of human rights issues. Did your contacts in the Iran government or people you talked to who were with the Embassy, did they suggest that this concern had a real impact on the way the policy was conducted?*

LEHFELDT: Yes, it was very much in everybody's portfolio. Miss Darin's strictures on democratization and all the rest of her baggage were always brought to mind, and the general human rights issue was on that was constantly hammered by the Carter Administration in Iran, into Iran. And it was probably that as much as anything else that sort of forced the Shah, or moved the Shah, into making a lot of steps, taking a lot of steps in 1978, early '78, that eventually probably led to his downfall. Easing opposition activities, permitting the street demonstrations. Maybe he had no choice, I don't know, but the spectacle of the Shah and the Shahbanou on the White House lawn wiping away tears caused by tear gas was really pretty shocking. And that happened about four months later, I guess. It was April, wasn't it?

*Q: No, November, I think. Before Carter's visit to the country.*

LEHFELDT: Was it '77 or '78?

*Q: '77. Like November or October. November.*

LEHFELDT: At any rate, that was caused by Iranian students abroad. Vast numbers of them. I thought it was later than that. I thought it was after the New Year's visit.

*Q: It was before.*

LEHFELDT: I guess it was before, yes. Memories tend to get fuzzy.

*Q: Some of the accounts I've read recently suggest that in practice, as his administration proceeded, Carter tended to subordinate the human rights issue to the strategic issues of arms sales, the role of the Shah in the Persian Gulf, et cetera.*

LEHFELDT: But that was after Afghanistan.

*Q: No, even before. Did you get a sense of that? You didn't get a sense of that apparently from your vantage point?*

LEHFELDT: No. Not from our vantage point we didn't get a sense of that. Brzezinski, of course, was an apparatchik of realpolitik to some degree. But it was only after Afghanistan —which was '77, I think, wasn't it?

*Q: Nine.*

LEHFELDT: No, no.

*Q: The invasion? That was '79.*

LEHFELDT: The invasion, but the...

*Q: Oh, the coup?*

LEHFELDT: The coup, right.

*Q: Yes, right, that was a year or two earlier.*

LEHFELDT: In '77, I think. I'm almost certain.

*Q: Yes. Yes, that's right.*

LEHFELDT: That the American attitude towards Afghanistan and the area began to— the Carter attitude towards Afghanistan and the area began to shift, because clearly the

regime that came into power in Afghanistan was a pro-Soviet regime, no matter how bad it was, how badly organized it was. And so that caused a rethinking, I think, of a lot of the problems in the area. And the problem of Bhutto was another one that sort of impinged on all of this. That's about the time he was—killed, wasn't it? '76? '77?

*Q: Thereabouts. Now shortly after Carter's visit the Iranian government ran a newspaper article that criticized Ayatollah Khomeini, which led to demonstrations in Qom that were violently repressed? That's sort of the sequence as I recall.*

LEHFELDT: Now that article was allegedly written by Daryoush Homayoun. He denies it. He's a very nice man, by the way.

*Q: Actually in James Bill's book, he suggests a lower level person actually wrote the article?*

LEHFELDT: Yes, exactly. Exactly. But his name was associated with it. And it needn't have happened, needn't have been written, but, yes, that was one of the proximate causes of demonstrations and more distaste for the Shah's regime. Just solidified opposition. But, you know, hell, by that time—as I've pointed out many times—they had managed to offend almost every aspect of government, civilian, intellectual, religious, business, and trade in the country. And the only thing they thought they had going for them was the military, and that turned out to be a weak reed.

*Q: Now the repression of the demonstrations at Qom touched off a cycle of demonstrations and protests that encompassed the whole country?*

LEHFELDT: Yes. The exact progression is a little fuzzy in my mind. I thought the first demonstration that caused the repression took place in Tabriz, because there were people killed up there, and forty days later they started holding the funerary—the mourning period. And that then took place in Qom, and then there was Tabriz and then there was this, there was that, there was the Abadan fire, and it just sort of snowballed.

*Q: Did you witness or know about the protests that were taking place in Tehran the first months of '78, as part of the cycle?*

LEHFELDT: Yes, we knew about them, but it wasn't really until later on that we could see and feel the effects, for instance, of the strikes in the passport section, the foreign residence section of the interior Ministry. When you couldn't get exit permits and so forth and so on.

*Q: What was your initial evaluation of the protests that were breaking out in early '78? Did you see them as very striking?*

LEHFELDT: Yes, we were concerned about them, but we never really felt—I never really felt and most of my colleagues never really felt, with one or two exceptions—that the Shah was in any danger. All he had to do was tighten the faucet a little bit, tighten the screws a little bit, and everybody would go back in their holes was the attitude. And that this was permitting a little bit of pressure to escape, and that when enough pressure had escaped, why, they would put the lid back on and we'd go on our merry way, and maybe this would have had a salutary effect over the long run for the people of Iran, but that this was simply one more step in the progression of Iranian political development that had to take place in an orderly, slow, stately, step-by-step manner. Going overnight from dictatorial Shahdom to democracy was clearly not in anybody's imagination.

*Q: You said there were a few exceptions, people that took a more somber interpretation of what was going on. Do you recall who they were?*

LEHFELDT: Oh, yes. James Saghi, an American of Lebanese extraction, who was the Kimberly-Clark man [Novzohour Paper and Novzohour Sports] and a very active—he pulled out in '77. He saw the writing on the wall, he now says, and he sold his house at the top of the market for something approaching two and a half million dollars cash, which he took out of the country immediately. Moved lock, stock and barrel to San Francisco, where

he lives happily ever after with a four hundred acre spread in Napa, a luxury apartment in San Francisco and numerous other investments, of course. Still very wealthy.

Lloyd Bertman was another one. Lived in Iran for twenty-eight years. Ran something called Jupiter Trading Company. His proximate cause, proximate complaint, was the anti-corruption act [Foreign Corrupt Growers Act of 1976]. He says, if I have to live and report under that, I can't, because there's no way to do business in this country unless you play by the Iranian rules. You can't impose American rules here. Then besides that, he said, there are things that are happening that make me uncomfortable, so I'm going to leave. So he sold out, again towards the end of '77 I think it was.

*Q: This is all before '78 then?*

LEHFELDT: All before '78.

*Q: Before the demonstrations? Okay.*

LEHFELDT: Yes, yes, before the demonstrations. Another one who voiced his suspicion that everything was going to fall apart was Bill Shashua, who was an American citizen of Iraqi—the Peugeot representative in Iran. We talked often about how the place was going to hell in a handbasket, and he kept thinking that he ought to withdraw and move out, but he waited until the last minute. He had enough money abroad anyway, but that's neither here nor there.

But they were really the only ones that I know who acted on their feelings, their suspicions, that something dire was going on. And there was one Iranian who did the same thing. He moved out in—well, I guess he didn't move out until '78, but he moved out in the summer of '78 when it was still possible to go. With all of his chattel, all of his extensive collection of priceless Iranian artifacts and things, carpets and so on. He lives in London and New York and does very nicely, thank you.

*Q: Did your contacts at the Embassy—did you discuss these issues with them in '78, the demonstrations, with them?*

LEHFELDT: Yes. Well, you know, the Chamber of Commerce had a periodic meeting with the Embassy, with the Ambassador. Now they tended to become a little bit stilted, because we now had a couple of Iranians on the board. Rahim Irvani, the head of Melli Shoe Company, the Melli Group. Ahmed Ladjevardi. But those two especially would come to the meetings with the Ambassador and naturally there were some restrictions on how open we would be.

Nonetheless, most of us felt the Embassy was never very forthcoming with us when it came to difficulties, that to some degree in the latter part of the summer of '78 and the beginning of the fall, the American business community was being urged to stay put, not to show, not to desert, not to show any lessening...

*Q: On the part of the Embassy?*

LEHFELDT: Yes. Not to show any lessening of support for the Shah and so on. We were, in a sense, being held hostage by the Embassy [chuckles] for this policy of supporting the Shah.

*Q: Did any of your contacts in the government of Iran or the business community—were they trying to find ways to smooth things over between the government and the opposition? Were any people taking any initiative?*

LEHFELDT: I never ever came across anybody who was trying to do that. The few people who had bridges built to both sides, at least to some degree in the intellectual side, were not sufficiently tied in or were overly identified with the regime to be useful in this. No, I never got the feeling that there was any real attempt at dialogue between the different

parts. And, you know, when the religious element began to make itself felt, it was clear that they weren't interested in dialogue.

I have often and publicly said that I did not consider the Iranian revolution in its fullest to be a religious revolution. It was a middle-class revolution. It was a revolution in which all sides agreed on only one thing, that was to get rid of the Shah, but there was no agreement on what the form of the government would take after the revolution. And that's where it all became terribly, terribly difficult.

*Q: Now in August, '78, the Shah tried to find ways to placate the opposition by promising Western style democracy. He promised to change the calendar to please the religious opposition. He promised, I think, tax cuts and wage hikes to please business and labor. And he appointed Sharif-Emami as Prime Minister.*

LEHFELDT: Who took all the lids off the press. We had a completely free press for about a month in Iran for the first time in my memory. But by that time, there was nothing the Shah could do. This is hindsight speaking now. Sharif-Emami was a discredited politician to begin with. They were all—most people did not—he did not have the respect of even the people he purported to represent. That is, the upper crust. And even there there were some who said, well, this is the Masonic Lodge at work. The Masons were widely reputed to be the managers of the whole country anyway. Have you ever heard that?

*Q: Yes, I've heard of that theory.*

LEHFELDT: Well, Sharif-Emami was one of the senior Masons in the country. Very much so. So was the Speaker of the House. His name begins with an R.

*Q: Speaker the majlis?*

LEHFELDT: Yes.

*Q: Going back to that time. Do you think that those concessions of Emami had any immediate impact at that point in time?*

LEHFELDT: Those concessions?

*Q: Yes.*

LEHFELDT: No, we did not. But by that time, you know, strikes were all over the place. Banks—you couldn't get money sometimes. You couldn't get exit visas. There were a lot of things you couldn't do. And it was very difficult, in August, September, October, just to go about your daily life. And by November, early November, which was when Tehran was pretty much—they burned Tehran. That's when the revolutionary—sorry, the riots really got out of hand, no amount of concessions by the Shah would have satisfied the opposition. They had the bit in their teeth then. And by that time they knew that they had pretty well eaten into the integrity of the military. By that time too—no one knows for sure when he turned, but General Fardust, who was the Shah's closest adviser, had turned traitor apparently. And maybe one or another of the other Generals as well.

So by that time—and again this is all hindsight—the Shah knew how ill he was, but nobody else knew except the French doctors.

*Q: Had there been rumors about that?*

LEHFELDT: Oh, there were rumors all the time about the Shah having kidney problems, impotence, a few other serious things. Heart problems.

*Q: Nothing like a fatal...?*

LEHFELDT: No, no. You know, this is true of any dictator. I remember when I was first in Spain in '55, Franco was about on death's door every week. When I went back in '75 he was still there.

*Q: But closer?*

LEHFELDT: Yes, but closer. He did die later that year. [Laughs]

*Q: In September there were the famous Black Friday events in Jalal Square.*

LEHFELDT: Yes, in Jalal Square. Those were known. Well, and the fire in Abadan was a month before and was a terrible catastrophe, and that's what led to Amuzegar's downfall. He didn't show any sensitivity whatever. He didn't go down there to investigate for himself. He may have sent a representative, but it was widely rumored that the theater was locked by SAVAK and set fire to on purpose, to blame it on the opposition.

And then there was the—when did the earthquake in Tabas take place?

*Q: I'm not sure about the chronology in that.*

LEHFELDT: Somewhere in the same—not too long after that. And that's when the Empress decided that she didn't really love her people all that much after all.

*Q: You mentioned that last time.*

LEHFELDT: Yes, I guess I did. Yes.

*Q: Now with the Black Friday events, the killing of protesters in the square, around that time, September, did you think there was any possibility for the government to make an accommodation with the opposition?*

LEHFELDT: Again, you know, quoting—I may have quoted him before—I quoted (Khodadad) Farmanfarmayan, who said, you know, “We all expected the old man to pull something out of his sleeve.” Only this time he couldn't. He didn't have anything up his sleeve to pull out. And many people, including myself, had sort of blind faith the Shah

would survive, and U.S. government support for the Shah was well placed and should continue. The evidence to the contrary was widely discounted.

*Q: This was true of the Embassy as well, I take it?*

LEHFELDT: It's hard for me to say. It's hard for me to say about that. I wasn't close to the Embassy in those days.

*Q: But did you have a few contacts and talk about these things? or were they very guarded?*

LEHFELDT: Yes, sure. They were very guarded in their analyses, but, you know, Brzezinski was still very staunch in his support of the Shah, and the trouble is the State Department was less staunch in its support. By the sounds of things. At least ex post facto.

*Q: At any point during the late summer or fall of '78 did you travel outside of Tehran?*

LEHFELDT: Let me stop and think. Did we travel outside of Tehran in '78? We did at Nouruz. We took our traditional trip to...

*Q: That's in December?*

LEHFELDT: No, it was in March. We did in March in '78. I went to Kashar, as I recall, and farther down, Haft Tapah. Dezful and so on. And we went to the Caspian. But I did not go to Tabriz or Mashed or any place else in '78. I was spending more of my time for General Electric briefing them on what was happening. So in October, for instance, I went to Copenhagen to brief the chairman of the company and the international board on events in Iran. By that time—I had written a speech, with slides and all the rest, which I still have, as a matter of fact. Headlines of daily newspapers and so on. It was very discouraging. Well, my boss in London said, “Don't be so discouraging.” So I softened it a little bit, but not...

*Q: What was the thrust of your argument?*

LEHFELDT: My thrust was that this is a tough time and that it's questionable whether the guy's going to survive. But by the time my boss had worked me over a little bit, I pushed it a little bit to the other side, that, yes, he would survive.

*Q: By October you were not so sure then?*

LEHFELDT: I was not so sure of it.

*Q: I guess it was the same month, important U.S. establishment figures like John J. McCloy were pressing the State Department to push the Shah to begin a military crackdown on the opposition?*

LEHFELDT: Yes.

*Q: Were there any foreign businessmen in Iran who were putting pressure on the Embassy to take a similar approach, pressing the Shah to sort of crack down?*

LEHFELDT: No, I wouldn't say—you know, the business community in Iran were not in that position vis-a-vis the Embassy, to urge them to urge the Shah to crack down. That role had never been created for us. They wouldn't have listened to us in the first place probably.

*Q: Did word about things like McCloy's pressure come back to Tehran?*

LEHFELDT: No. But when Dick Cooper, for instance, came out to look things over...

*Q: For the Treasury?*

LEHFELDT: Well, he was Under-Secretary of State for Economic Affairs. I had a dinner for him at the house, and I think that was October as well. Of course everybody came in

armored cars, and they had to leave by ten o'clock because of the curfew and so forth and so on. So it was a very—and I had all the establishment there. The head of the Central Bank, the head of Bank Melli, and, you know, some other...

*Q: What was the atmosphere?*

LEHFELDT: The atmosphere was nervous. Questioning. Wondering whether the economy could survive. This was mostly looking at the economy, because everything was tied up in strikes by that time. It was a difficult time for anybody.

*Q: Now you mentioned earlier some of the concerns of the American community vis-a-vis the Embassy. I take it they grew more and more as...*

LEHFELDT: They grew more and more real, especially in the first—I think it was the first week of November, when the rioters moved up into the middle of Tehran and burned, for instance, the Waldorf Hotel, which I could see out of my window. I had Dennis Neill from U.S. NEWS & WORLD REPORT with me that day, and I was on the eleventh floor of a building downtown and we could walk around and watch the whole city burn. There was smoke coming from every direction. The rioters swept up north of Takhti-i Jamshid and, you know, set a number of places on fire. And broke a lot of windows and were trashing things. Why they missed my building, I don't know. They trashed all the windows of all the airlines except Aeroflot and—I don't know who the other one was, but there was an Eastern European one.

Then about three o'clock the troops came down from the north, and as if by arrangement the rioters withdrew to the south and the northern part of the city was once again in the hands of the government.

By that time, in November, we were all starting to move our—the business community was moving dependents and other unessential people out of the country. Now some companies bugged out very early, much to the distress of the Embassy, and some of the

dependents of the Embassy wanted to leave and did leave. And Bill Sullivan was quoted at one point as telling one officer, “Well, you will never work for me again in any Embassy of mine if you send your people home.”

So that was the attitude that we felt, that we were being held hostage for a policy that seemed to be failing by that time.

*Q: What were some of the companies that were leaving?*

LEHFELDT: Westinghouse sent everybody home. Didn't leave anybody. Some of the companies simply couldn't function, because you couldn't get residence permits, you couldn't get—and you had to send your people out while they still had valid exit permits. You couldn't pay your personnel. So a number of companies simply decided, well, let's get everybody out of here that we can while we can and maintain a skeleton crew and we'll come back when things are back to normal.

*Q: Now I've seen a State Department cable that was declassified a while ago, from around October, maybe early November, that suggested that some Iranian businessmen and government officials were concluding that the demonstrations and strikes would not cease until the Shah left the country. Did you hear such arguments before you left Iran? During the fall?*

LEHFELDT: Yes. By that time it was clear that there was a good deal of pressure on the Shah to leave, and he was resisting all those pressures. But from the Embassy—no, I never heard anybody from the Embassy—I wonder who wrote that? George?

*Q: I think it was one of Sullivan's cables.*

LEHFELDT: One of Sullivan's cables.

*Q: But these are Iranian contacts that were discussing this with you?*

LEHFELDT: Well, you know, many of my Iranian contacts had already left the country. Not all of them, of course, because some of the businessmen stayed on thinking, well, you know, we're businessmen, we're not politicians. Little did they realize that they too would be held up. But there was no—you know, people like Reza Fallah, who was the Deputy Head of the National Iranian Oil Company, he left early on. And even on the plane I left on, when I left Iran—which was December 21st or 22nd, '78—there were a dozen businessmen and government officials of one sort or another that were bugging out at that time. But they'd stayed late. Many of them had already left.

*Q: Now after the demonstrations you talked about, where buildings were burned and so forth in Tehran, the Shah set up a military government?*

LEHFELDT: And Sharif Emami was removed and General Azhari took over, yes.

*Q: What was your evaluation of this move? Did you think it would make a difference at this point? Maybe make things worse or make things better?*

LEHFELDT: Well, it seemed to indicate that they were prepared to use the military in a forceful manner. In the event it didn't happen. That was, I guess, the thing that everybody thought the Shah had pulled out of his sleeve, that he'd install a military government and he'd restore order and then he'd go back to trying to put the pieces back together. But the Shah was unwilling apparently—and again this comes out afterwards, we certainly didn't know it at the time—was unwilling to order any drastic action. And, again with hindsight, it probably wouldn't have worked. They probably wouldn't have paid any attention to him by that time. Who knows?

*Q: Now by November—it's around the same time—Ambassador Sullivan was concluding, I think, that—or beginning to conclude that the Shah's position was hopeless, or apparently hopeless, and it was necessary to be in the search for some alternative to the Shah.*

LEHFELDT: Thinking the unthinkable.

*Q: That was the name of the famous cable he sent.*

LEHFELDT: Infamous cable, I would call it.

*Q: How much did you know about his views at this time?*

LEHFELDT: Damn little, because about that time he had brought Senator—who was it? Was it Senator Byrd? I guess it was.

*Q: Possibly. Yes, I think he visited.*

LEHFELDT: I think it was Senator Byrd, yes. He was scheduled to address the Iran-American Chamber in November. And we had our monthly luncheon at the Sheraton, and Byrd couldn't make it because he had an audience with the Shah, and we sort of held forth until Bill got there. And then he filled us in on what was going on. But his message to us then was, stay put. There wasn't any give on his part, so if he was thinking the unthinkable at that point, he didn't let on.

*Q: Now at what point did you conclude the Shah's position could not be salvaged?*

LEHFELDT: After I was back here in December.

*Q: After you'd left?*

LEHFELDT: After I'd left.

*Q: Up till then, you still weren't...*

LEHFELDT: I still kept—I guess it was more hoping than anything else. Hoping that he would be, because I'm always very slow in withdrawing support. I was hoping against hope that he would be able to put it back together, and so I had a round trip ticket. But

then the company wouldn't let me come back as things deteriorated, which was quite right. Because when I left in the third or fourth week of December, just before Christmas I was just going home to spend Christmas with my family. I was not evacuating. I left my house intact, with all my furniture in it, and my houseboy, my dogs, and a gardener. Of course, my wife, when she had left three weeks before, she had packed up all the so-called valuables and shipped them out. Just as a personal note—in the event, they didn't leave the country at that time, and it wasn't until May in '78 that they discovered them in the warehouse at the airport. They'd gone through customs and they were sitting there waiting for shipment on Lufthansa. And so they finally shipped them and they didn't have to go through customs again. Otherwise we probably would have lost everything, because there were pictures of me with the Shah and there were some carpets and some pots and so forth and so on. The Revolutionary Guards would have confiscated—also had all of our silver and a lot of personal things, photographs. But that finally showed up.

But as an example, I left my house intact, except for those few things that my wife had packed. Now that makes me look a little stupid maybe, but it showed the depth of my respect for the Shah's ability to come back. He had done it before.

*Q: Now the same month, during the religious holidays of Muharram, there were huge demonstrations in Tehran, I guess involving millions of people.*

LEHFELDT: Millions of people, right.

*Q: Did you witness any of these?*

LEHFELDT: We were well advised and did stay off the streets. My family had left by then. I was alone. I had a few people from the company over for lunch and we just stayed out of sight. Some of them even spent the night, because there was no point in trying to go back downtown.

But I talked to, then, a day or two later, Mehdi Sami'i. Let's see, I've forgotten which demonstration it was, but there was a—no, the Muharram demonstration, no, that was not the one. It was the one previous to that. He qualified it as a middle-class demonstration, a family demonstration. You had whole families walking down Semiran Road carrying flowers and sticking flowers in the rifles of the soldiers who were guarding them. But it was a middle-class demonstration. Hundreds and hundreds of thousands of people, marching up and down Semiran Road, demonstrating for change, for democracy, for whatever. But this was not the madcap mujahideen revolutionaries or anything of that sort.

Now the Muharram demonstrations were massive. Well organized, well policed by the revolutionaries themselves. And there was a demonstration that had to have had a very debilitating effect on the Shah's psyche, and I guess it did. Because to have a couple of million people out was a fantastic sight. You know, I wouldn't have shown myself out there, frankly. It would have been foolhardy.

*Q: Now when you returned to the States, you worked for GE? You continued to work for GE?*

LEHFELDT: Yes, I continued. I ran Tehran—because I left a staff. We didn't pull all Americans out when I left. I had about, oh, eight or ten people still there. Americans, plus all my Iranian staff. And so I moved to London personally. My family went to Ohio to my wife's mother's town. And I commuted between London and the States when I could. I never did return to Iran, but I managed the withdrawal of people from Iran at the time, and it was about May, I think, that we got the last of our people out.

*Q: Was GE closed up in Iran pretty much?*

LEHFELDT: Yes. Well, we left the local staff still. And they closed up the office in an orderly fashion. They packed up my house and shipped everything out. Everything that we wanted out. We didn't have any of the heavy stuff flown out. But it was an orderly

departure, and even in May—April—if the situation had righted itself and the government had wanted us to come back and stay, we would have been in a position to do so.

*Q: Now at that time—late '78, early '79—what was your interpretation of the origins or the basic causes of the revolution? How did you see it then?*

LEHFELDT: Well, I saw it then as a weakening of the resolve of the Shah, a growth of the opposition in terms of numbers and volubility and strength and economic strength to the point that they could do a lot of things. Now whether they were helped by outside forces, I didn't know, although towards the end of '78 it was clear that the religious element was doing a lot more than they ever had before. They were able, because they were getting lots of money from the bazaars in Tehran, from over in Najaf in Iraq. And then, I believe, with the connivance of General Fardust, the Shah asked the Iraqis, their now great and good friends, because they'd settled all their differences, to expel the Ayatollah. That happened in I think about September, didn't it?

*Q: Then he went to Paris.*

LEHFELDT: Then he went to Paris, because the Kuwaitis wouldn't take him. And that gave him Open Sesame. He got access to world attention. If they'd kept him in Najaf, I bet nothing would have happened. Or very little would have happened. The mujahideen would have taken charge perhaps of the revolution then, but not the religious. Because the only one with the authority, moral and public relations authority, to take charge of the revolution at that time was Khomeini. Nobody else could. Shariat Madari—any of the other ayatollahs who were in opposition to the Shah had been pretty much compromised over the years.

*Q: I've read at that time that some American business leaders like David Rockefeller—I read that he believed that ultimately the Communists were behind the whole thing. Did other American businessmen believe that?*

LEHFELDT: Yes, of course. You know, again, going back to the November showdown —and this is personal observation—the leader of one of the gangs stoning shops and breaking windows and setting fire to things was a lady in a pants suit. And clearly she wasn't a religious lady. She wasn't wearing a chador. She was a real instigator, a real rioter, and probably left wing. Let me move to another area, the television business. Iranian television and the AFRT, the American—well, no, the Iranian television. Leave AFRT out of it. On the night before Muharram, before this big demonstration, when all the religious were out shouting “alia aqbar” and so forth, and the electricity was out and so forth and so on, on television, before the electricity went off, they were showing—I guess it was Swedish...

*Q: Oh, I think you talked about that.*

LEHFELDT: A Swedish movie about lesbianism and nudity and everything. Totally designed, as far as I was concerned, to incite the religious conservative elements against the regime. So you had to assume that there was collusion, some planning, some reasonably bright psychological analysis that had taken place on how to turn off people from the regime and the Shah, and that this is all sort of coincided. The mujahideen were probably the most adept at this part of it. I can't believe it was the religious. I don't think they would have done that sort of thing. The religious were doing other things. The religious were passing tapes around of the Ayatollah's speeches and so on. And the underground was working very nicely in that regard. No, it was a congeries of opposition to the Shah that coincided, as I've said before, on only one thing, getting rid of the Shah, but did not agree on what the form, substance or objectives of the government would be after the Shah left. And you could see that. The Ayatollah, who was probably one of the most surprised people of all when he found himself sort of in power, had nobody prepared to run a government. And that's why he named Bazargan, who was one of the few respectable Iranian politicians who had supported him and opposed his exile and opposed—well,

Bazargan was about the only politician with enough standing to head a government. But, of course, he headed a meaningless government. They wouldn't let him govern.

And the creation of the Revolutionary Guards, which was a mujahideen, I believe, operation at the outset, was gradually taken over by the religious, and maybe with the connivance of Communists, I don't know. Iranians today aren't sure and some still posit that the mullahs, the Soviet mullahs, are the ones who are running the show and eventually are going to turn it into a Soviet.

*Q: What do you think of that?*

LEHFELDT: I think it's highly unlikely.

*Q: The Tudehs have been on the outs most of the time?*

LEHFELDT: Well, the Tudeh Party was never highly respectable anyway, but the Soviet mullahs are another question, because the Soviet government did subsidize mullahs to a fare-thee-well for many years, and probably still do. And there is no—apparently in their mind there is nothing wrong with them taking help from the Soviets.

*Q: Now to what degree do you subscribe to the theory that U.S.-Iran relations in the late seventies represented what's called an intelligence failure, in the sense that the revolution and the Shah's downfall came as such a surprise to American policy-makers and American businessmen and so forth, who had to do with Iran?*

LEHFELDT: I can only quote, I think, some of my academic friends. When I came back at the end of '78, I gave a lecture up at the Asia Society in New York, and I had a couple of academics there as well, who were talking at the same time. And they publicly admitted that they blew it, that they were looking at the wrong things, that the things we should have been noticing, we were so bedazzled by the magnificence of the Shah and his imperial trappings, we simply couldn't see what was happening in the underbrush of Iranian politics

and political sentiment. And if the professed experts at the subject don't see it—and I believe if you'll read Tony Parsons' book, he expresses some of the same sentiment, that they missed it too. And Dennis Wright certainly missed it. He was one of the old pros at the business.

So that if the experts on the subject missed it, how the heck do you expect the poor businessman to see it. We were riding along on a wave of euphoria that hoped to take advantage of the oil income. Most of us. Maybe it was falsely engendered hope, but nonetheless there was that hope. And just poor simple businessmen, not political analysts. So although we pride ourselves usually, businessmen do, on being able to feel things better than embassies sometimes, the Embassy was no better off. I mean, we were all surprised. We were all caught off balance. And certainly the one factor that might have made a difference, certainly to policy-makers in the United States, was the knowledge of the Shah's illness. Had that one fact been known, a lot of things would have come clear. Maybe. Maybe, I don't know.

But the efforts to make sense out of the regime from 1973 to '78, to control corruption, to control conspicuous consumption—which was ridiculous, the things that went on by some of the wealthy Iranians—were simply ineffective and to use a terrible word, counter-productive, in terms of keeping popular support for the regime.

*Q: This is a question I should have asked you in the very beginning of our interview, but when you were first assigned to the Embassy in Tehran, did you receive any special area training in Persian history or society, anything like that?*

LEHFELDT: No. No, because I went—if I don't miss my guess, I was under a good deal of pressure to get there in a hurry. I had come from Naples, where I'd been Deputy Principal Officer for the previous three years. And I went to home leave, had a little bit of consultation in the Department—maybe a week, ten days—and then I arrived and was thrown into the breach.

Now, of course, I had had some Persian language before. I'd served in Afghanistan many years before, and I had some knowledge of the area. I had served in South Asian Affairs, in Pakistan-Afghanistan affairs. So I wasn't totally abjectly stupid. [laughs] Although I wasn't as well prepared as I would like to have been. Armin Meyer, who was the Ambassador at the time I was selected at least, and Nick Thacher, who was the Deputy Chief of Mission, knew me well. So they were quite prepared to take me on faith.

*Q: How many of the Embassy staff people at this time actually had area training before they took the job? Was your experience fairly common among...?*

LEHFELDT: Well, no. The people who were in the Embassy at the time, some of them were long-time Middle East hands. Nick Thacher was DCM. Jack Armitage—this was his second time around. He was a Political Counselor. John Rouse, who was in the Political Section, was a Persian language officer. Ed Prince, who was my deputy in the Economic Section, had been there for four or five years and spoke Persian and was quite good. The Chief of Station was an old hand there, Bill Brommel. My oil man, Petroleum Officer, can't think of his name...

*Q: Washburn?*

LEHFELDT: No, his predecessor—again was a very able guy, both in petroleum, and spoke Arabic, I believe, as well. Arabic besides Persian. And then John Washburn came along and he was a Persian language officer. And he was followed by David Patterson, who was another Persian language officer.

So that I thought at the time I was there in the Embassy that there were a number of other good Persian language officers. [Michael] Michaud was one. John Stempel.

*Q: He was there also?*

LEHFELDT: Yes. Arnie Raphel was a Persian language officer. There were a whole series of young officers who were very good in Persian, and so I thought we were well served. Stan Escudero. There were a whole raft of kids. But by the time '78 came along, there was practically nobody there.

*Q: Did you know what accounted for that?*

LEHFELDT: Yes. Budgetary strictures more than anything else. The Carterian budget revolution. The Ford revolution. And so forth and so on.

*Q: From your testimony, it sounds like you had fairly frequent contact with Iranian government officials. And this is when you were at the Embassy. How true is that of other officials in the Embassy? It's probably hard to generalize about it, but...*

LEHFELDT: It was hard to generalize. You know, the Political Section had a lot to do with the Foreign Office, and certainly the Political Military Officer, whether he was John Rouse or Henry Precht or Martin, had a good deal to do with both the American military and some of the Iranians and General Toufanian's staff. Not beyond that, I don't believe.

The Military Attach#s' offices had their counterparts. Probably the people who were approved by the Shah for dealing with them. But I don't get the impression that many of them had the breadth of associations across the government that I had. And I say that without any pride particularly, but that's just the way it was. I was there longer than most of them, to begin with. I was there five years in the Embassy, after all.

*Q: Now to what extent did your own contacts extend beyond the business community and government officials when you were at the Embassy?*

LEHFELDT: On the Iranian side?

*Q: Yes.*

LEHFELDT: Well, there was considerable social intercourse outside the business side. My wife, of course, was busy in the International Women's Club, the Nurayin Society—which supported the Blind School down in Isfahan. It was a very social organization in the sense that it was supported by some very high level, socially impeccable ladies, led by Sedegeh Rastbgar, she was a Farmanfarmayan princess, one of the direct descendants of one of the Qajar shahs.

But we had that sort of connection with a lot of Iranians who were not government, not official, not business. In the Samian family, Mrs. Samian was one of the earliest leaders for women's rights in Iran. The family was a close friend of ours. Of course, they were variously married into a number of other families. Abbas Fallah, Reza Fallah's brother, was married to one of the Samian sisters, and so on down the line.

*Q: I read that somewhere around half of the Embassy employees were from local minority groups?*

LEHFELDT: Yes, it was known as the Armenian Embassy.

*Q: A very large component of Armenian Christians, I think?*

LEHFELDT: Yes. And some Zoroastrians and some Jews and some Bah'ais. But we had a pretty good mixture of pukka Persians too. My chief local in the Economic Commercial Section was Ishmail Gohbadi. More socially acceptable he couldn't be. He was a very highly respected man.

*Q: Now in his new book, James Bill suggests the existence of a fairly large component of Iranian minorities on the Embassy staff had adverse implications. One was that the Armenians—a lot of them worked in the Consular Section apparently? His research suggests that they were often rude to local Iranians who were applying for passports. This*

*had an impact on the way they perceived the United States. This was their first contact with American officials.*

LEHFELDT: My friend, I don't care whether it's Iran or London or Paris or Karachi or where it is, locals are rude to their own people. And, yes, they can say that the Armenians may have been rude to the Iranians, I would posit that that would have made no difference whatever.

*Q: So it was a generic Embassy problem?*

LEHFELDT: Yes, a generic Embassy problem, right. You take on a little bit of power when you're with the American Embassy, whether you're Armenian or Zoroastrian or Muslim or whatever. And besides, I have to believe that at least some of those people in the consulate were SAVAK employees on the side as well.

*Q: Was that...?*

LEHFELDT: Oh, sure. A common practice. They were sprinkled throughout. You could identify some of them very easily.

*Q: Bill also suggests the existence of a fairly large minority component among the employees tended to insulate the Embassy from day-to-day contact with Muslim Iranians. Was this seen as an issue at that time?*

LEHFELDT: At least in the Economic Commercial Section not so. Not so. There were no one more Muslim than the Ladjevardis and the Khosrovanis and the Iruahis and the Barkhordars and so on. Yet we had very open, close relations with them and didn't depend on the locals for that sort of entree at all. The average bazaari was a little more difficult, but as many of the bazaari—for instance, the rug dealers were Jews or Armenians anyway. And so that was the extent of a lot of the Embassy employees' association with local business, the rug and curio dealers. And they were Armenians or Jews anyway.

*Q: Now he also talks of the Embassy Social Secretary, who was Iranian.*

LEHFELDT: Oh, Minou. Yes.

*Q: Apparently she more or less determined who would be invited to Embassy functions?*

LEHFELDT: Well, for some Ambassadors she did. But not for Dick Helms and not for Bill Sullivan. And that turned her into a real harridan.

*Q: Yes, apparently, he says, some Ambassador tried to weaken her authority or influence...*

LEHFELDT: Oh, yes. They not only weakened it, they just ignored her. Mrs. Helms couldn't stand her.

*Q: What's her name?*

LEHFELDT: Minou Moshiri.

*Q: Apparently when she had some authority in this issue, she tended to confine those she invited to the social, economic elite.*

LEHFELDT: Exactly.

*Q: ...other Iranians. More middle-class types?*

LEHFELDT: Yes. Well, you know—yes, there's no question about it, but the invitation lists ofttimes, depending on what the invitations were for—for instance, the Economic Commercial Section would submit its list of people and most often we would get them invited, if it was a big reception. Fourth of July was another bash that was a real enormous collection of people and didn't really matter. It's easy to criticize an Ambassador's entertainment lists. It's harder still to construct one that escapes criticism.

*Q: Now this is another point that he raises in his book that's also been raised by other writers on the period. He argues that because of the strong pro-Shah views at the highest levels in Washington and the Embassy that independent, objective reports that might cast a bad light on the regime were either not written, because they could hurt career advancement in some respects, or when they were written, they were sometimes suppressed or not sent to Washington. To what extent was that a problem when you were at the Embassy in the early seventies? Were there examples of that that come to mind?*

LEHFELDT: I killed one report, because it was—not because of any bias that it might reflect adversely on anybody. And certainly the officer in question has not suffered because I killed it. And I didn't suffer because I killed it. It was just a stupid report. But it was the only one that I can think of that I killed in the five years that I was there that would faintly fall into that category. Indeed, the reports that we sent in on such things as corruption—and I believe you will find somewhere in the archives...

*Q: We talked about that. In fact, he cites that as one that did get to Washington.*

LEHFELDT: John Washburn's for one was—we got criticized for dwelling on corruption, but there was a real problem. But again, there was never any stricture, any order out, no instructions not to send anything in. Now self-censorship, that may have taken place, I don't know.

*Q: That's what he was implying, that that might have been a sort of an internal constraint, that people might have appeared rocking the boat somewhat.*

LEHFELDT: Well, it's kind of hard to demonstrate and it's hard to—you know, when you are dealing with a one-party government and a one-dimensional government that is run by one man, and everybody depends on his whims and his judgments and his sources of information, it's hard to write sensible analyses of what's going on in the countryside when, you know, nobody's talking. The opposition didn't want to talk to us, to begin with. They

didn't want to be seen with us. They knew we were followed, and so they had reasons for not talking to us. There was no way we could hide or disguise ourselves. We were so damn visible. And especially when we got tagged with bodyguards everywhere we went. What the heck were you supposed to do?

*Q: I've also read—I think this was mentioned in Bill's book—that by the mid-seventies, maybe this was after you left, but the number of political officers had declined and there was less reporting going on of internal political affairs than there had been in, say, the sixties to late sixties period. That might have been a budgetary problem, the decline of political officers? I don't know. Was that so, do you think?*

LEHFELDT: No, I don't buy that particularly. There was never a big number of political officers anyway. There was a political counselor and the assistant political officer and a political military officer and usually one other officer. And that was about it, four or five all told, and I don't know that it ever varied from that in all the time I knew the Embassy.

*Q: I guess there may have been more than ten or fifteen in the early sixties. That's the figure he gives, I think. Something in that order, that there was a lot more.*

LEHFELDT: Dubious. Dubious. Highly dubious. No. If he's going on the Foreign Service lists record, some of those may have been station CIA people, who had other...

*Q: Who were listed as political officers, but actually doing something else?*

LEHFELDT: Yes. Real State Department political reporting officers were never more than three or four. To my certain knowledge. In the ten years that I was associated.

*Q: I have no further questions, unless you want to make a concluding statement.*

LEHFELDT: No, I don't have any peroration.

*Q: We've covered all the issues, I think.*

LEHFELDT: I don't know that we've come to any final conclusion on what happened, but it's been—you know, it was in retrospect a traumatic experience and one that almost defies analysis to some degree, because if you talk to some of my Iranian friends, they are certain that the whole success of the Ayatollah was the result of British planning, assisted by American dupes, for the sole purpose of keeping oil prices up, so North Sea oil was profitable.

Now there's a certain mad logic to all of that, but somehow all the rest of the facts don't fit it. And yet the conspiratorial view of the world is so widespread in Iran that there are thousands and thousands of Iranians who are prepared to believe that or a variation of that theme. And it is extremely difficult for any of us to argue convincingly that such was not the case, because all we can argue is that the bits we saw don't fit that theory and the people we know certainly were not smart enough to plan it. And if the Brits and the CIA were smart enough to plan all of this, why are we in such bad shape around the world. Now I think that's enough to say. [laughs]

*Q: Thank you very much.*

LEHFELDT: Thank you.

End of interview